NORWICH City Council

Audit committee

Date: **Tuesday, 22 September 2015**
Time: **17:00**
Venue: **Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH**

Committee members:

Councillors:

Neale (chair)
Wright (vice chair)
Boswell
Bradford
Driver
Harris
Howard
Kendrick

For further information please contact:

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Informal training session

Please note that there will be an informal training session for members of the committee at 16:15 in the Mancroft room.

Information for members of the public

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Agenda

		Page no
1	**Apologies** To receive apologies for absence	
2	**Public questions/petitions** To receive questions / petitions from the public (notice to be given to committee officer in advance of the meeting in accordance with appendix 1 of the council's constutition, ie by 10:00 on Wednesday, 16 September 2015))	
3	**Declarations of interest** (Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
4	**Minutes** To approve the accuracy of the minutes of the meetings held on 23 June 2015 and 7 July 2015.	**5 - 10**
5	**Annual governance statement 2014-15** **Purpose -** To review and approve the final audited version of the annual governance statement for 2014-15.	**11 - 30**
6	**Audit Results Report 2014-15** **Purpose -** This report presents the Audit Results Report 2014-15.	**31 - 62**
7	**Statement of accounts 2014-15** **Purpose -** This report presents the formal audited Statement of Accounts, to be authorised by the Audit Committee and the Chief Finance Officer by the statutory deadline of 30 September 2015.	**63 - 182**
8	**Internal audit 2015-16 – June to August update** **Purpose -** To advise members of the work of internal audit between June and August 2015, and progress against the 2015-16 internal audit plan.	**183 - 190**

Date of publication**: Tuesday, 15 September 2015**

NORWICH City Council

4(a)

Minutes

Audit committee

16:30 to 18:15 **23 June 2015**

Present: Councillors Neale (chair), Wright (vice chair, following appointment), Bradford, Driver, Harris, Henderson (substitute for Councillor Boswell), Howard and Kendrick

Apologies: Councillor Boswell

1. Appointment of vice chair

RESOLVED to appoint Councillor Wright as vice chair for the ensuing civic year.

2. Public questions/petitions

There were no public questions or petitions received.

3. Declarations of interest

There were no declarations of interest.

4. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 17 March 2015.

5. Statement of accounts 2014-15 – Extraordinary meeting

The chief finance officer confirmed that she would authorise the Statement of accounts 2014-15 for submission to the external auditors by the statutory deadline of 30 June 2015. It had been the intention to bring the unaudited Statement of accounts to this committee for consideration. This had not been possible and therefore it was proposed to hold a separate meeting in early July for this purpose. It was good practice for the committee to comment on the unaudited accounts.

RESOLVED to:

(1) hold an extraordinary meeting of the committee on Tuesday, 7 July 2015 at 16:30;

(2) note that members may also email comments on the unaudited Statement of accounts to Philippa Dransfield, the chief accountant,

(philippadransfield@norwich.gov.uk) if they cannot attend the meeting.

6. Annual report of the audit committee 2014-15

The chair introduced the annual report of the audit committee and proposed that the last the last sentence in paragraph 10 be deleted and replaced with the following:

> 'References in the Statement of accounts are a neutral record of the council's position at a given moment of time and the corporate plan states the council's commitment to improve air quality and reduce carbon emissions.'

He also pointed out that a typographical error in paragraph 6 should be amended by deleting "concerned" and replacing it with "concern".

RESOLVED to approve the Annual report of the audit committee 2014-15, as amended above, and recommend it to council for adoption.

7. Draft annual governance statement 2014-15

The internal audit manager (LGSS) presented the report and referred to the supplementary report circulated at the meeting which set out amendments to the draft annual governance statement (AGS).

Discussion ensued on the significant issues which had been listed in the external auditors' audit letter 2013-14 and whether these had been sufficiently addressed for the external auditor to issue an unqualified opinion on the financial statements and value for money opinion for 2014-15. In reply to a question, the chief finance officer gave assurance on the progress of the implementation of a new financial IT system and said that she expected that a fixed asset register would be in place within 18 months.

The committee considered the financial challenges facing the council because of cuts to public sector funding. The committee noted that some NHS trusts would be receiving a qualified value for money opinion from the external auditors and that no local authority could be complacent. The chair said that the council was aware of the risks to its financial position and service delivery caused by the uncertainty surrounding business rates and the new homes bonus. He pointed out that the external auditors acknowledged that the council had a "good track record" of delivering savings and meetings its budget. The committee noted that the council's corporate risk register was kept under constant review and that the risk score for public sector funding had been increased.

RESOLVED to approve the draft Annual governance statement 2014-15.

8. Internal audit and fraud team 2014-15 March 2015 update

The internal audit manager (LGSS), presented the report and, together with the head of internal audit and risk management (LGSS), answered members' questions.

Discussion ensued on the arrangements for fraud and counter-fraud work following the transfer of the fraud team to the Department of Work and Pensions on 1 April 2015. The committee considered the need to include the supply and monitoring of contracts and noted that the audit plan reflected member's perception of risk.

The committee noted that one of its roles was to ensure that the external audit work was value for money. The external auditors' fees were regulated by the PSAA (Public Sector Audit Appointments). The external auditors discussed additional fees, where circumstances required further work, with the chief finance officer and the executive head of business relationship management and democracy.

RESOLVED to note:

(1) the work of internal audit in March 2015;

(2) the progress on the 2014-15 internal audit plan;

(3) the latest position of the National fraud initiative (NFI);

(4) the latest counter fraud developments.

9. Annual audit report on internal audit and fraud 2014-15

The internal audit manager presented the report. Members noted the following amendments to the report:

- Replacing references to 2013/14 with 2014/15 on the title page;
- Amending table 5 by inserting a "1" after Housing benefits and Sports facilities in the "complete" column and inserting the totals in the "complete" (18) and "incomplete" (4) column.

A member of the committee welcomed this "brilliant" report. The committee noted that this was the second annual report.

During discussion the internal audit manager, head of internal audit and risk assessment and chief finance officer, referred to the report and answered members' questions. Members noted that in 2014-15, there had been an increase in overpaid benefits on the previous year, which reflected the clearance of a backlog in benefits claims. The committee noted that the review of the provision market rents had not been conducted. There had not been a systemic failure and the cause for the lack of review had been due to a staffing issue which had now been resolved.

Discussion ensued on the audits of the IT systems and noted that the Northgate IT system had received a moderate assurance. The internal audit manager said that there would be an audit presence on the project board for the implementation of the new financial IT system. The head of internal audit and risk management explained the issue of manually switching on audit trails on IT systems and the implications for staff and paperwork. A member referred to the advantage of retaining email communications in case of fraudulent activity and suggested that the council considered updating its servers to extend its storage capability.

The committee noted the work of the fraud team and considered the arrangements for liaison and joint working with the Department of Work and Pensions (DWP) in relation to fraud work. The revenues and benefits team (LGSS) was still responsible for the identification of potential fraud which would then be passed to the DWP for investigation.

RESOLVED to:

(1) receive the annual audit opinion of substantial assurance for 2014-15;

(2) note the work of internal audit and fraud team for 2014-15;

(3) ask the internal audit manager to enquire about the council's server capacity and retention policy.

10. Internal audit 2015-16 – April to May update

The internal audit manager presented the report on the work of the audit team and pointed out that it was only for a two month period and not a full quarter.

RESOLVED to note:

(1) the work of internal audit between April and May 2015;

(2) the progress on the internal audit plan;

(3) the council's response to the annual fraud survey 2014-15.

11. Review of the corporate risk register

The internal audit manager presented the report.

The committee noted that the corporate risk register had been reviewed by the corporate leadership team and cabinet would be asked to amend B1, Public sector funding by increasing the residual risk score from 15 to 20. In reply to a members' question, the internal audit manager said that it was too early to evaluate the impact on government funding and the risk of industrial action. HR had been asked to review this risk.

A member welcomed the proposed amendments to the risk register in relation to A4, Safeguarding children and vulnerable adults and equalities duties.

Discussion ensued on the methodology used for scoring risks and the potential for the committee to challenge scores and actions proposed in mitigation.

RESOLVED to note the corporate risks and the key controls in place and further actions planned to mitigate risks.

CHAIR

NORWICH
City Council

4(b)

Minutes

Audit committee

16:30 to 17:55 **7 July 2015**

Present: Councillors Neale (chair), Wright (vice chair), Boswell, Bradford, Driver, Harris and Kendrick

Apologies: Councillor Howard

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.

3. Statement of accounts 2014-15

The chief finance officer introduced the report, providing a summary of the contents and clarifying the meanings and impacts of the different funds and accounts. An information sheet was circulated to those present which illustrated the year on year differences between 2014-15 and the period 2013-14.

Referring to page 19 of the report, the chief finance officer explained that point eight (capital strategy and capital program 2014–15 to 2018–19) was a new insertion as per the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. This paragraph, she explained, would provide surety of provision of the capital plan for the next five years.

Highlighting the chart beginning on page 24 of the report, the chief finance officer explained that this illustrated all the balances that the council had available to use, adding that page 26 detailed spending in various service areas. She added that the separate information distributed at the beginning of the meeting provided additional explanations for the differences seen within the *comprehensive income and expenditure statement*.

In response to a member's question, the chief finance officer explained that table number 27 (page 74) provided details of the re-evaluation reserve – that is, changes in value which have not yet crystallised and as such cannot yet be spent.

She went on to provide details around the cash flow statement, explaining that it detailed such items as petty cash, current accounts and cash equivalents (investments for less than three months).

Moving on to page 54, in relation to a table nine, the chief finance officer explained that although the livestock market had been sold to a private company, the city council had a legal obligation to provide a space for a livestock market. As such, the council rented back a small area of land from the private owner, which is then leased to Norwich Livestock Ltd - although this had potentially remained unpaid for three years due to an administrative error. In response to a member's question, the chief finance officer explained that she would look into the legal obligations of a council partner providing compensation for any interest lost on this amount should it be shown to be their error.

In response to a member's question, the chief finance officer explained that property valuations take place using what are known as 'beacons'. These beacons are typical houses or flats of different types in different locations. These properties are then visited every five years to ascertain the standard of the housing (including such improvements as new doors, windows etc.) Adjustments are then made to the valuations depending on the number of properties which have not had improvement works carried out.

Discussion ensued around provision of training for members prior to meetings. The chief financial officer said that she would make checks regarding the training planned for the meeting on 22 September. Members showed a preference for provision of training to include an illustration of the differences between the general / HRA / Capital and revenue funds.

RESOLVED to:

(1) receive the formal unaudited draft statement of accounts for 2014-15;

(2) ask the chief accountant to circulate a response on the following issues:

(a) whether or not there is an amount of money owed by Norwich Livestock Ltd in relation to the lease of land by the city council; and

(b) should there prove to be monies owed, ascertain whether or not compensation would be due in relation to loss of interest on the amount.

CHAIR

Report to	Audit committee 22 September 2015	**Item** 5
Report of	Head of internal audit and risk management, LGSS	
Subject	Annual governance statement 2014-15	

Purpose

To review and approve the final audited version of the annual governance statement for 2014-15.

Recommendation

To approve the annual governance statement for 2014-15.

Corporate and service priorities

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

Financial implications

None directly.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Neil Hunter, Head of internal audit and risk management, LGSS	01223 715317
Steve Dowson, internal audit manager, LGSS	01603 212575

Background documents

None

Report

Background

1. The unaudited draft statement of accounts for the year ending 31 March 2015 was authorised by the chief finance officer on 29 June 2015 and reported to audit committee on 7 July 2015 (the audited statement of accounts is included on today's agenda).

2. The annual governance statement 2014-15 accompanies the statutory statement of accounts 2014-15.

3. At its meeting on 23 June 2015 the audit committee approved the draft annual governance statement, which was subsequently authorised by the leader of the council and the chief executive.

4. It was reported at the time that the governance statement may subsequently be amended following review by the external auditor (EY).

5. EY have now completed their review and have asked that the governance statement be updated to reflect the outcome of the audit of the 2014-15 accounts.

6. The Accounts and Audit Regulations 2011 require that the audited statement of accounts and the annual governance statement are approved by the end of September and the approved documents signed by the chair of the audit committee after the meeting by the end of September, ie after today's meeting.

Annual governance statement 2014-15

7. At the audit committee meeting in June a supplementary report was circulated which set out proposed amendments to the draft annual governance statement (AGS) on the agenda. Those amendments were approved and have been incorporated into the version being presented today.

8. The statement has also been amended to reflect the dates of several reports to various committees.

9. The updated annual governance statement for 2014-15 can be found at **appendix 1**, showing the tracked changes from the draft version.

Annual Governance Statement 2014-15

1. Scope of responsibility

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.

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.

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

This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

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

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

An appropriately qualified and experienced finance officer at LGSS is the council's chief finance officer and s151 officer.

The LGSS head of audit and risk is responsible for internal audit and the fraud team and reports to audit committee (the fraud team transferred to the Department for Work and Pensions on 1 April 2015).

2. The purpose of the governance framework

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.

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.

The governance framework has been in place at Norwich City Council for the year ended 31 March 2015 and up to the date of the approval of this statement.

3. The governance framework

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

- Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

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

- Identifying and communicating the council's vision of its purpose and intended outcomes for citizens and service users:

  The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2015-2020, which forms the council's overarching policy framework.

  The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.

  The Norwich Locality Board was established with its key objectives to promote collaborative and new ways of working, and identify opportunities for cost savings and efficiencies through joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.

  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.

- Reviewing the council’s vision and its implications for the council’s governance arrangements:

  The corporate plan sets out the city council’s strategic direction including its vision, mission and priorities. A new corporate plan 2015-2020 was approved by council on 17 February 2015.

  The new corporate plan was developed through a number of methods including:

  • Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.

  • Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.

  • Looking at the potential future factors that may impact on Norwich and the council e.g economic, social, environmental etc.

  • Discussions with councillors including an all councillor workshop.

  • Specific discussions with partner organisations

  • Assessing the future resourcing likely to be available to deliver a new corporate plan.

  • Formal review by scrutiny and cabinet.

  In line with the approach used previously a consultation was carried out on the draft corporate plan framework for 2015-2020 with citizens and organisations. Based on the results of the consultation no further changes were proposed.

  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.

  Service plans are reviewed every year in line with the changes to the corporate plan priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery.

  The corporate plan 2015-2020 also links closely to the council’s risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures all strategic risks are appropriately identified, managed and mitigated against.

- translating the vision into objectives for the authority and its partnerships:

  The council’s five priorities are to make Norwich a safe, clean and low carbon city; a prosperous and vibrant city; a fair city; a healthy city with good housing; and to provide value for money services.

  The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council’s vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.

- Measuring the quality of services for users, ensuring they are delivered in accordance with the council’s objectives and ensuring that they represent the best use of resources and value for money:

Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the service and team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by service plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams. Portfolio holders have been brought into the service planning process, and are required to sign off service plans with the relevant service managers.

The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the 2015-2020 corporate plan and supporting plans (service plans). Each service has a high level dashboard charting progress against their service plan priorities. Dashboards showing performance for each cabinet portfolio are also produced for portfolio holders. This approach is used to strengthen performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.

The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of housemark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars. The council also has active tenancy scrutiny and involvement panels which enable tenants to be involved with contract monitoring and procurement.

A summary of the overall performance of the council in 2014-15 is included in the explanatory forward to the statement of accounts for the year ending 31 March 2015.

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the council and partnership arrangements:

  The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer. There is also an agreed protocol between the leader and chief executive officer covering their working arrangements following the appointment of a new leader.

  The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS and NPS Norwich being covered by service level agreements.

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:

Under the Localism Act 2011 the new standards regime, including the members' code of conduct, was adopted by council on 19 June 2012.

There is a separate code of conduct for employees which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies; if they do not their access to IT systems can be revoked.

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

  The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the executive head of business relationship management and democracy, monitoring officer, chief finance officer (section 151 officer), head of HR and learning and local LGSS audit manager. There is also a cross-party constitution working party - where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.

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

  The council has a data quality policy that sets out the council's approach for maintaining data quality.

- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

  The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are available to all staff via citynet (the council's intranet). The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.

- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The council has an anti-fraud and corruption strategy which is available on its intranet and website, and which all staff are required to confirm they have read. The strategy has been reviewed by corporate leadership team and is currently being verified against other council policies.

Under the partnership and delegation agreement, in 2014-15 LGSS provided a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team included a qualified financial investigator who had the power to initiate recovery proceedings under the Proceeds of Crime Act. As part of the restructuring of the wider LGSS internal audit function a new fraud team has been set up to provide a counter fraud service to all LGSS clients. The counter fraud arrangements for the council going forward will be decided once all the appointments to the team are made.

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

- Ensuring effective management of change and transformation.

  Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects. The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate. There is also a cross party working group which discusses and informs change options on a cross-party basis prior to them reaching the formal proposal stage.

  The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.

  The council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle Awards 2014. It is also a finalist in the Municipal Journal's 'Best Achieving Council' award 2015.

- Ensuring the council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

  The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation. The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and

LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

- Ensuring the council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.

  In line with the partnership and delegation agreement, the internal audit for 2014-15 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010) and the Code of Practice for Internal Audit in Local Government.

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

  The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer's and the deputy monitoring officer's roles rest with nominated officers at nplaw, the council's shared legal service. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.

  It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties (as set out in article 12 of the council's constitution).

  There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the *monitoring officer protocol*, which currently forms appendix 9B of the council's constitution.

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

  The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to her to fulfil the statutory role. Article 12 of the constitution requires the head of paid service to determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.

  The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number of occasions and has reported to cabinet on changes to the senior management structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich city council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.

A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of her functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executives performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*:

  The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in March 2014 in line with the latest CIPFA guidance and can be found in article 17 of the council's constitution.

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

  The monitoring officer is responsible for advising whether decisions of the cabinet are in accordance with the policy and budget framework.

  In relation to an executive function, the monitoring officer and chief finance officer had responsibility in 2014-15 for ensuring that all proposals, decisions and actions incurring expenditure were lawful.

  Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.

  Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations.

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.

- Whistleblowing and for receiving and investigating complaints from the public.

  The council has a whistleblowing policy which is accessible via the intranet and council website. It is one of the key policies which staff are required to read and confirm via the workforce system. 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.

- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

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

  - promoting the development of members
  - developing, monitoring and evaluating the councillors training and development programme
  - supporting and encouraging councillors in maintaining the charter for member development, including personal development planning.

  A full programme of training and development has been agreed by the group including a monthly schedule of both training sessions and briefings.

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

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

  The council is part of *Your Voice*, a partnership of local organisations which enables anyone to sign up and have their say on services through consultations, surveys, focus groups and workshops, to name a few.

  The council's *Customer first* guidance for staff is intended to ensure that everything the council produces and sends out is easy for everyone to understand. It is supported by the *Communications strategy* and *Communications handbook* which helps staff to deal with communications issues.

  Residents are informed about the council's activities at all times. This is done through *Citizen,* the quarterly magazine for residents; work with the local media;

the council website; social media and other channels. Council tenants also receive their own magazine, *TLC*, focusing on issues affecting them.

Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.

In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.

Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's business management group and reviewed on a quarterly basis.

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

- Enhancing the accountability for service delivery and effectiveness of other public service providers (in England this includes powers granted to local authorities under the Health and Social Care Act 2012 and the Police Reform and Social Responsibility Act 2011).

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

  The council's Leader is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.

  The Norwich Locality Board also has a role in overseeing the delivery of health outcomes in the city as part of the Healthy Norwich programme and there is a progress update on this at each meeting,

  The council's portfolio holder with responsibility for community safety is a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk community safety scrutiny committee and provides regular updates on their work to the council's scrutiny committee. The council's chief executive also chairs the Norfolk Community Safety Partnership.

  The council's Locality Board involving key public service providers and other key partners in the city also looks at areas of concern for the city eg the effects of national policy change or changes in approach from local service providers and opportunities for joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.

- Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the council's overall governance arrangements:

  The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.

  All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.

  The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

  One of internal audit's significant reviews during 2014-15 was to assess the governance arrangements covering a number of shared services and joint ventures. Under its 'Changing Pace' operating model the council has entered into service delivery agreements with different partners, and the audit covered five key arrangements:

  - LGSS for ICT, finance and revenues
  - nplaw for legal services
  - NPS Norwich for asset management and housing repairs
  - Norwich Norse (Environmental) for a range of environmental services such as grounds maintenance and street cleansing
  - Norse Environmental Waste Service for the processing and recycling of household waste.

  The audit resulted in a 'substantial' assurance opinion, with five recommendations that are due to be implemented in 2015.

- Risk management and business continuity:

  The council's risk management policy was updated in December 2014 and is available to all staff via the intranet.

  Key corporate risks that may impact on the council's priorities have been identified and included in the corporate risk register, which is kept under review and updated as necessary by the corporate leadership team and reported to audit committee and cabinet.

  Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.

The council has implemented a performance management system which includes risk management, which enables corporate and service risks to be recorded and monitored by management.

The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. An updated business continuity policy and framework was approved by Cabinet on 25 June 2014.

4. Review of effectiveness

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 executive heads within the council who have responsibility for the development and maintenance of the governance environment, the LGSS head of audit and risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

The council and cabinet

In February 2015 the council approved the new corporate plan 2015-2020, which will be 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.

The cabinet approves the medium term financial strategy which provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.

During 2014-15 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.

Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports.

Performance monitoring reports during 2014-15 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2012-15.

The council's constitution working party recommends to cabinet and council any changes to the constitution. A fundamental review of the constitution continued in 2014-15, overseen by the corporate governance group which is chaired by the executive head of strategy, people and democracy. There is a documented plan covering all articles and appendices – the major change during 2014-15 was to update the council's code of governance to include the additional governance requirements from the CIPFA statement on the role of the chief financial officer in local government.

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. The statutory annual report on the work of scrutiny committee in 2014-15 was presented to scrutiny committee on 19 March 2015 and was presented to council on 23 June 2015.

The audit committee

The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.

The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.

In line with good practice, the annual report on the work of the audit committee in 2014-15 was presented to audit committee on 23 June 2015 and ~~will be~~ presented to ~~a future~~ council on 21 July 2015. The report concludes that 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.

The standards committee and monitoring officer

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

The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from npLaw.

The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. Hugh Ferguson was appointed as monitoring officer in November 2014. His annual report concludes that the systems of internal control administered by the monitoring officer, including the code of corporate governance and the council's constitution, were adequate and effective during the period covered by this interim report for the purposes of the latest regulations.

Chief finance officer

The chief finance officer is a statutory appointment, and during 2014-15 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal control, and supporting the audit committee.

Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion in 2012-13 and 2013-14, and anticipate doing so for 2014-15.

Internal audit

Internal audit is an assurance function that provides an independent and objective opinion to the council on the control environment. The objectives of internal audit have been set out in terms of reference which have been approved by the audit committee.

Under the partnership and delegation agreement, for 2014-15 the internal audit function was provided by LGSS.

The LGSS head of internal audit's annual report to the audit committee includes an opinion on the overall adequacy and effectiveness of the council's internal control environment.

The LGSS head of internal audit's annual report was presented to audit committee in June 2015; the audit opinion concluded that there was substantial assurance on the council's internal control environment for 2014-15.

Corporate governance group

This is a quarterly internal officer group, chaired by the executive head of business relationship management and democracy, which is responsible for reviewing all aspects of the council's governance arrangements. Other members of the group are the chief finance officer, monitoring officer, head of HR and Learning and local LGSS audit manager.

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 2013-14 was presented to audit committee on 23 September 2014. The annual audit letter 2013-14 was presented to audit committee on 18 November 2014. The annual report on the certification of claims and returns 2013-14 was presented to audit committee on 20 January 2015.

For 2013-14 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant issues other than the ongoing control weaknesses regarding property, plant and equipment accounting records (fixed assets register) which have already been reported to audit committee.

The audit results report for 2014-15 is being presented to audit committee on 22 September 2015 and indicates that the external auditors anticipate issuing unqualified opinions for 2014-15.

HMRC VAT Assurance Systems Interrogation visit

During the course of 2014-15, HMRC selected Norwich City Council for a VAT Assurance Systems Interrogation visit. Several topics were selected by HMRC and specific information was requested and provided for the inspectors before the actual visit was made in June.

With the exception of one minor error that was found (for which a control had already been put in place) no irregularities were found on the topics that were selected or the methodology of making the monthly VAT claims.

The Assurance Systems Interrogation visit was followed up by a spot check on a monthly VAT claim later in the year (February 2015). No errors were found in our reconciliations and the claim was paid as calculated.

Improvement and efficiency

The council initially received external verification of our improvement and efficiency work and our changing pace blueprint (operating model) for the future through a successful peer challenge in March 2012, supported by the LGA. The peer challenge team said:

"There is little doubt that Norwich City Council has been on an impressive journey of improvement over recent years. The organisation is rightly proud of that.

The pride, passion and desire to succeed for the people of Norwich are clearly evident and will be a key asset as you move forward.

A range of notable service improvements, better outcomes and budget savings can be evidenced as a result of the journey you have been on. The housing service has improved vastly and there have been notable improvements in other services such as waste recycling

Partners are beginning to recognise how far the council has come. You now have a reputation as an organisation who delivers on promises.

You are now an organisation that others are signposted to and a place that others visit and learn from.

We think the philosophy and principles of your proposed new operating model are relevant, appropriate and realistic given the political priorities, challenges and context in Norwich."

This external recognition continued in March 2013 when the council:

- Won the Gold Award for 'Delivering through efficiency' in the Improvement and Efficiency Awards 2013 in recognition of the significant savings we have delivered while continuing to improve performance.
- Was highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year Category.

In March 2014, the council received even further external recognition through winning the following two prestigious national awards:

- Gold Award for overall 'Council of the Year; in the iESE Improvement and Efficiency Awards 2014.
- Local Government Chronicle (LGC) Award for 'Most Improved Council' 2014.

Cllr Paul Bettison, chair of iESE, said: 'I'd like to offer my congratulations to Norwich City Council. A truly outstanding local authority, it has grown from a once poor performer to one that now boasts savings proportionally higher than many much larger authorities. Following a whole culture and systems change across the organisation, its innovative solutions and thinking 'outside of the box' has earned high credibility with both residents and businesses".

LGC judges said: "Our winner in the Most Improved Council category had formed a strong partnership with a wide range of stakeholders and showed a compelling narrative of leadership improvement that has left it able to punch well above its weight. Congratulations to Norwich City Council."

In April 2014, the council found out it had also been formally commended by the judges in the MJ's overall award of 'Best Achieving Council' 2014.

In April 2015, the council was selected as a finalist in the MJ Local Government Achievement Awards 2015, for 'Best Achieving Council'.

Also, in recent months iESE have undertaken a corporate health check of the council, and a review of efficiency has been undertaken by Newton Europe, both with positive results.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. Significant governance issues

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

EY's annual audit letter 2013-14

EY's annual audit letter was presented to audit committee on 18 November 2014. EY issued an unqualified audit opinion on the financial statements and an unqualified value for money conclusion.

Most of the significant risks listed under key findings were satisfactorily addressed, the only unresolved issue relating to weaknesses in the spreadsheets used as a fixed asset register. This should be resolved when the current financial IT system is replaced in 2015-16, but EY pointed out that further delays in implementing a new fixed asset register will make the task more difficult as officers will have to consider data as far back as 2007, when the revaluation reserve was introduced.

The value for money conclusion was unqualified, but EY highlighted the significant financial challenges facing the council in the next three to four years. The main areas of uncertainty are future levels of business rates income, new homes bonus and government funding. EY acknowledged that the council has a good track record of delivering savings and meeting its budget, but Members will have to carefully consider the council's financial position and service levels in future years

Internal audit assurance reviews

No reports issued in 2014-15 resulted in either a "no assurance" or "limited assurance" opinion.

The following five audits resulted in "moderate assurance", further details of which are included in the head of internal audit's annual audit report:

- Provision market
- BACSTEL-IP system
- Parking Gateway IT system
- Civica IT system
- Northgate IT system

Progress on implementing significant recommendations from internal audit reviews is regularly reported to audit committee, most recently to the meeting on 17 March 2015.

Progress on the action plan from the previous governance statement

Actions taken to address the significant issues from the 2013-14 governance statement are as follows:

Review of the council's constitution

The programme for updating the council's constitution continued during 2014-15, with the only major update being to the council's code of governance. In practice the constitution will be kept under constant review so going forward it is not practical to state a completion date.

EY's annual audit letter 2012-13

There was one unresolved issue relating to the accuracy of the fixed asset register. This is linked to the ongoing project to replace the current financial IT system, and cabinet 25 June 2014 resolved to delegate to the executive head of business relationship management, in consultation with the deputy leader and resources portfolio holder, the authority to amend the agreement with LGSS to include the implementation of a new finance system. Options were considered by CLT on 1 April 2015 where it was agreed that the preferred solution was a stand-alone system hosted in the main LGSS data centres and utilising the LGSS shared service licensing agreement. Cabinet agreed on 10 June 2015 to recommend to council the transfer of funding from capital reserves to the non-housing capital programme to fund the new system. ~~Subject to council agreement~~ Council agreed to the funding transfer on 23 June 2015, therefore officers from the council and LGSS IT will commence the implementation in 2015-16.

Internal audit assurance reviews

Previously reported issues relating to the garden waste scheme were satisfactorily addressed during 2013-14 and 2014-15. The associated IT project to enable customers to request and pay for the service online is at the testing stage.

The outstanding actions from the review of the Norman Centre were implemented during 2014-15.

The recommendations in relation to permit parking and controlled stationery are complete, with one exception relating to the implementation of the Permit Gateway IT system, which is ongoing.

6. Statement by Leader of the Council and Chief Executive

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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

Report to	Audit committee	**Item**
	22 September 2015	6
Report of	Chief finance officer	
Subject	Audit results report 2014-15	

Purpose

This report presents the Audit Results Report 2014-15.

Recommendation

The committee is asked to:

(1) review and note the attached report from the Council's external auditor;

(2) approve the draft letter of management representation presented in Appendix B of the report; and

(3) note the uncorrected audit misstatements of the report under Appendix 1 'Uncorrected audit misstatements' of the Audit results report.

Corporate and service priorities

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

Financial implications

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

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Justine Hartley, chief finance officer	01603 212440
Philippa Dransfield, chief accountant, LGSS	01603 212562

Background documents

None

Report

Background

1. The audit results report (appended to this report as appendix A) summarises the findings from the 2014-15 external audit which is substantially complete. It includes the messages arising from the audit of council's financial statements and the results of the work undertaken to assess arrangements to secure value for money in the council's use of resources.

Adjustments to the financial statements

2. The audit committee should note the adjustments made to the financial statements and those factual errors which have not been adjusted.
   .
3. The audit identified three factual misstatements which management has chosen not to adjust, these are identified in Appendix 1 of the Audit results report. Rationale for not adjusting these misstatements is detailed below and has been agreed by External Audit:

   (a) Under accrual of £0.234m and over accrual of £0.218m both in relation to HRA capital expenditure. The net of the two amounts is £16,000 which is not material;

   (b) Understatement of the bad debt provision for sundry debtors of £0.165m. If adjusted, this would impact on each service area and would result in changes ranging from £100 to £68,000 – the amounts involved are considered immaterial.

Letter of Representation

4. The audit committee is asked to approve the letter of representation on behalf of the council before the audit opinion and conclusion is issued (attached to this report as appendix B).

Qualitative aspects of accounting practices

5. The audit results report details areas of inefficiency/weakness relating to non-current assets. These relate to the current spreadsheet used as a Fixed Asset register. The council plans to introduce a new fixed asset register alongside its new financial system which will address these issues.

VFM risks

6. The audit results report places higher focus this year on the financial resilience of the council but takes assurance from the council's track

record of achieving savings and from the high level of general fund reserves held.

Norwich City Council

Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

14 September 2015

Building a better
working world

Contents

Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/2015 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- As of 11 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

- We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- We do not expect to report any significant matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Council's responsibilities

- The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- Our audit was designed to:
  - Express an opinion on the 2014/15 financial statements and the consistency of other information published with them
  - Report on an exception basis on the Annual Governance Statement
  - Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
  - Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Council..

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
► **Significant audit risks (including fraud risks)**		
We have commented in previous years on weaknesses in the spreadsheets used as a fixed asset register. The register is difficult to use and does not produce quality management information. This has contributed to errors and increased audit testing in previous years. Due to the complexity in accounting for property, plant and equipment and the material values involved, these weaknesses increase the risk that asset valuations and capital expenditure contain material misstatements.	► Evaluated the competence, capabilities and objectivity of the Council's valuation expert; ► Obtained an understanding of the work of the expert; ► Compared valuation reports to industry valuation trends; and ► Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.	► At the time of writing this report, the work has not been concluded.
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. One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.	► Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► Reviewed accounting estimates for pensions, asset valuations and NNDR appeals provision for evidence of management bias; ► Evaluated the business rationale for any significant unusual transactions; and ► Tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.	► We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing. ► At the time of writing this report, testing of Property, Plant and Equipment additions has not been concluded

Addressing audit risks – other audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
The Council uses large contracts and partnerships in the delivery of services. There are new accounting requirements when assessing the nature of these arrangements to determine the group boundary. This will involve deciding whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's financial statements	► Identified arrangements that are within the scope of group accounting. ► Assessed where overall control lies with regard to the operation and delivery of services for those arrangements. This included identifying relevant activities and who has the ability to direct the relevant activities, and assessing whether the Council is exposed, or has rights, to variable returns from its involvement. ► Evaluated the quantitative and qualitative aspects of the arrangements.	► We agree with the Council assessment of the arrangements that fall within the group boundary, and the conclusion that consolidating into the Council's Financial Statements was not required on the grounds of materiality. ► We have agreed the latest trading results for the associate arrangements as disclosed in note 33, and the contractual arrangements and transactions reported in note 46.
Councils need to provide for business rates appeals and will need to consider the following when estimating the provision: ► Assessing appeals made to the Valuation Office. Councils may not be aware of the level or extent of claims and may also find it difficult to obtain sufficient information to establish a reliable estimate for the appeal provision; and ► Making assumptions about how far appeals may be backdated.	► Reviewed the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice; and ► Tested the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37. As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.	► The accounting transactions for the business rates appeals provision are materially accurate and compliant with the CIPFA Code of practice; and ► We have agreed the Council's calculation of the provision for business rates appeals. This included agreement of total outstanding appeals to the Valuation Office report, testing reasonableness of success rates and rateable value adjustments applied, and benchmarking results with other Councils.

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:
  - Property, plant and equipment valuations and additions
  - Related party transactions
  - Cash transaction testing
  - Completion of Manager and Director review procedures
  - Receipt of a Letter of Representation and signed accounts
- Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- We have identified three misstatements within the draft financial statements, which management has chosen not to adjust.
- We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter or Representation
- Appendix 1 to this report sets out the uncorrected misstatements.

Corrected misstatements

- Our audit identified a number of further misstatements which our team have highlighted to management for amendment. All of these have been corrected during the course of our work.
- None of these items were significant and therefore we have not included further detail within this report.

Other matters

- As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:
  - Qualitative aspects of your accounting practices; estimates and disclosures;
  - Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
  - Any significant difficulties encountered during the audit; and
  - Other audit matters of governance interest
- The Council continues to use spreadsheets as a fixed asset register. The weaknesses in the spreadsheets that we have reported in prior years apply to 2014/15. The register is difficult to use and does not produce quality management information.
- We understand the Council is planning to implement a new fixed asset register alongside a new general ledger. Every year that the Council delays in implementing a new fixed asset register makes the task more difficult as officers will have to consider data as far back as 1 April 2007, when the revaluation reserve was first introduced.

We have no other matters we wish to report.

Financial statements audit – application of materiality

Our application of materiality

- When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning materiality and tolerable error	We determined planning materiality to be £2,712,000 (2014: £2,581,260). This is 1.5% of gross expenditure reported in the accounts of £180,852,000, adjusted for payments to the capital receipts pool, interest payable and pensions interest cost. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council. We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We have set tolerable error at the lower level of the available range because errors identified in the Council's 2013/14 financial statements exceeded planning materiality, and there were two uncorrected errors.
Reporting threshold	We report to the Audit Committee all audit differences in excess of £135,600 (2014: £129,063)

Financial statements audit – application of materiality (cont.)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

Area	Strategy applied
Remuneration disclosures, including exit packages and termination benefits	A reduced materiality level of £5,000 is applied to our testing of disclosures for completeness and accuracy. This is in line with the bandings reported in the accounts.
Related party transactions	A reduced materiality level of £135,600 is applied to testing of disclosures for completeness and accuracy. We also carried out a sample check of Companies House searches on contracts from the Council's contract register to identify whether any key decision-makers in the Council had an interest in the company. We did not identify any interests that should have been declared.
Members allowances	A reduced materiality level of £135,600 is applied to testing of disclosures for completeness and accuracy.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- We have only tested key payroll system controls of the Council, for all other areas as we have adopted a fully substantive approach to our audit, as we have assessed this as the most efficient approach. We are therefore not expressing an opinion on the overall effectiveness of internal control.
- We have reviewed the Annual Governance Statement and can confirm that:
  - It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
  - It is consistent with other information that we are aware of from our audit of the financial statements.
- We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

- We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations.

Whole of Government Accounts

- Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Norwich City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 – arrangements for securing financial resilience

- 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- Since issuing our Audit Plan on 5 March 2015, we have identified a significant risk in relation to this criteria:
  - In its medium term financial strategy (MTFS), approved in February 2015, the Council identified a cumulative budget gap of £4.6 million over the next three years. The MTFS is based on a number of assumptions, including an estimate of the future levels of Government funding.
  - The MTFS currently places reliance on £6.4 million of funding from existing New Homes Bonus over the period 2015/16 to 2017/18 and a planned use of reserves of £1.1 million over the same period to fund the base budget. Any reduction in Government funding in future years, together with an increased use of reserves represents a risk to achievement of the Council's future budgets.
- This risk reflects the size of the budget gap the Council is facing over the next few years, as a result of reduced funding and increasing demands for services. This is in line with the challenges being faced by many other councils across the country.
- We have now completed our work in this area and have concluded that the Council has adequate arrangements in place for securing financial resilience. We set out how we addressed the identified risk on the next page.

Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'.
- We did not identify any significant risks in relation to this criteria.
- We have now completed our work in this area and have no issues to report in relation to this criteria.

Addressing audit risks – significant VFM risks

We identified the following VFM risk and set out below how we have gained audit assurance over those issues.

A significant audit risk in the context of the value for money conclusion is the risk that the auditor may issue the wrong value for money conclusion. Where auditors identify a significant value for money conclusion risk they will need to undertaken additional audit work to enable them to reach an appropriate conclusion.

VFM risk identified	Audit procedures performed	Assurance gained and issues arising
Financial resilience		
In it's medium term financial strategy (MTFS), approved in February 2015, the Council identified a cumulative budget gap of £4.6 million over the next three years. The MTFS is based on a number of assumptions, including an estimate of the future levels of Government funding. The MTFS currently places reliance on £6.4 million of funding from existing New Homes Bonus over the period 2015/16 to 2017/18 and a planned use of reserves of £1.1 million over the same period to fund the base budget. Any reduction in Government funding in future years, together with an increased use of reserves represents a risk to achievement of the Council's future budgets	We considered the following factors in relation to the risk identified : ► The Council's historic financial performance, including its ability to deliver challenging savings targets; ► The Council's current financial position and level of reserves; ► The Council's processes for setting its budget, and the nature of the budget assumptions; ► The competency of the Council's finance team; and ► The political stability of the Council; ► The current position on the 2015/16 budget; ► Review the progress made by the Council in identifying savings necessary to reduce the 2016/17 budget gap; ► Consider the impact on the Council's finances of any errors identified by our 2015/16 audit; and ► Consider the impact on the Council's finances of any announcements relevant to local government finance in the Chancellor's stability budget on 8 July.	The Council's track record of achieving savings and high level of general fund reserves, which are forecast to remain above the required minimum level over the period of the MTFS, reduce the risk of the Council failing to effectively set and achieve its budgets over the medium term. The Council have taken a prudent approach to future Government funding by assuming no new New Home Bonus and phasing out of formula funding by 2019/20. The Council should continue to identify the savings necessary to reduce the 2016/17 and 2017/18 budget gaps and progress the service delivery reviews to minimise the use of reserves over the longer term. .

Section 6

Independence and audit fees

Independence and audit fees

Independence

- We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 5 March 2015.
- We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 22 September 2015.
- We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of 5 March 2015.

Audit fees

- The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/15	Scale fee 2014/15	Variation comments
	£	£	
Audit Fee: Code work	106,552	106,552	No change proposed
Certification of claims and returns	38,310	38,310	No change proposed

- Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Uncorrected audit misstatements

- The following misstatements have been identified during the course of our audit.
- These items have not been corrected by management.

Balance Sheet and Statement of Comprehensive Income and Expenditure

Item of Account	Nature	Type	Balance Sheet	Statement of Comprehensive Income & Expenditure
	Description	Factual/ Projected	Debit/(Credit)	Debit/(Credit)
1. Short term creditors	Testing of new year transactions for unrecorded liabilities identified one 2014/15 transaction where no accrual was raised to charge the expenditure to 2014/15.	Factual	(£234,554)	£234,554
2. Short term creditors	Due to error (1) we extended the testing of new year transactions and identified three further unrecorded liabilities. All three were below the Council's de-minis (£5,000) for accruals accounting.	Projected *	(£224,117)	£224,117
3. Short term creditors	Testing short term creditors identified one overstatement of a creditor balance.	Factual	£218,000	(£218,000)
4. Short term creditors	Due to error (3) we extended the testing of short term creditors and identified 1 further overstatements of creditor balances.	Projected *	£477,771	(£477,771)
5. Short term debtors	Understatement on bad debt provision for sundry debtors.	Factual	(£165,000)	£165,000
Total			£72,100	(£72,100)

* Projected misstatement based on audit sample error and population extrapolation

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

ED None

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

Appendix B

22 September 2015

Rob Murray
Audit Director
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Dear Rob

Audit of Financial Statements 2014/15
Letter of Representation

This representation letter is provided in connection with your audit of the financial statements of Norwich City Council ("the Council") for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Norwich City Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the financial statements.

3. We confirm that the Responsible Officer has:

   - Reviewed the accounts
   - Reviewed all relevant written assurances relating to the accounts; and
   - Made other enquiries as appropriate.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.

6. We believe that the effects of any unadjusted audit differences, summarised in Appendix 1, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total value of factual errors found represents an error of £16,554 on short term creditors and £165,000 on short term debtors with a net impact on the Income and Expenditure statement and Balance Sheet totals of £181,554. When projected errors are taken into account these figures are £237,100 on short term creditors and £165,000 on short term debtors but with a net impact on the Income and Expenditure statement and Balance Sheet totals of just £72,100. Given the inherent difficulty of adjusting for projected errors and that adjusting for just the factual errors would result in a higher remaining net impact on both the Income and Expenditure statement and Balance Sheet none of the errors have been corrected.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving

other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 9 September 2015*.*

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims which might impact the 2014/15 accounts, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2. Accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate non-current assets and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours sincerely

____

Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Audit Committee on 22 September 2015

____

Chair of Audit Committee

Report to	Audit committee	**Item**
	22 September 2015	7
Report of	Chief finance officer	
Subject	Statement of accounts 2014-15	

Purpose

This report presents the formal audited Statement of Accounts, to be authorised by the Audit Committee and the Chief Finance Officer by the statutory deadline of 30 September 2015.

Recommendation

That the committee approves the Statement of accounts and delegates to the chief finance officer, in consultation with the chair, the signing off of the accounts by 30 September 2015.

Corporate and service priorities

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

Financial implications

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

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Justine Hartley, chief finance officer	01603 212440
Philippa Dransfield, chief accountant, LGSS	01603 212562

Background documents

None

Report

Background

1. The unaudited draft statement of accounts was authorised by the chief finance officer (CFO) on 29 June 2015. It is a requirement of the Accounts and Audit Regulations 2011 that the CFO authorises the draft statement of accounts by 30 June each year. There is no requirement for the committee to approve the draft financial statements however the unaudited accounts were presented to the Audit Committee on 7 July 2015 for review.

2. This version of the statement of accounts has been audited and amended/adjusted in line with audit findings.

Statement of accounts

Presentation

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

4. Compared with 2014, the CoP 2015 has introduced few additional accounting requirements and changes.

5. The classification of services in the Comprehensive Income and Expenditure Statement does not align with internal management arrangements and officer structures, and therefore our management accounts. The statement of accounts has to conform instead to the service classification required by CIPFA's Service Reporting Code of Practice (SeRCOP). Some information is however readily recognisable from the normal management accounts reported to cabinet. Nevertheless both sets of accounts reconcile to each other and it is the statement of accounts on which the audit opinion is given. A reconciliation showing how the overall results within the Statement of accounts differ from that reported within the budget monitoring outturn report is provided in Note 31 of the Statement of accounts.

Review – Comprehensive Income and Expenditure Statement

6. A summary of changes from 2013-14 to 2014-15 and between the version signed on 29 June 2015 was included in the covering report for Audit Committee on 7 July 2015.

7. There are no changes from the draft version signed on 29 June 2015 and the audited ones now presented.

Review – Balance Sheet

8. A summary of changes from 2013-14 to 2014-15 and between the version signed on 29 June 2015 was included in the covering report for audit committee on 7 July 2015.

9. There are no changes from the draft version signed on 29 June 2015 and the audited ones now presented.

Source Documents	Location
CIPFA Accounting Code of Practice 2014-15 Statement of Accounts 2013-14 Statement of Accounts 2014-15 Statement of Accounts working papers. Outturn for 2014-15	Room 407 City Hall, Norwich

	Draft 2014/15 £000	2013/14 £000	Change £000	Change %	Ref
Central services to the public	3,648	3,756	(108)	-2.88%	
Culture and related services	6,816	10,426	(3,610)	-34.62%	a
Environment and regulatory services	8,352	8,427	(75)	-0.89%	
Planning services	3,557	2,569	988	38.46%	b
Highways and transport services	(2,685)	(2,750)	65	-2.36%	
Local Authority housing - HRA	(22,688)	(35,019)	12,331	-35.21%	c
Other Housing Services	3,852	3,965	(113)	-2.85%	
Corporate and democratic core	2,096	1,322	774	58.55%	d
Non distributed costs	53	144	(91)	-63.19%	
Cost Of Services	**3,001**	**(7,160)**	**10,161**		
Other Operating Expenditure	500	1,368	(868)	-63.45%	e
Financing and Investment Income and Expenditure	13,359	13,621	(262)	-1.92%	
Taxation and Non-Specific Grant Income	(26,935)	(27,844)	909	-3.26%	f
(Surplus) or Deficit on Provision of Services	**(10,075)**	**(20,015)**	**9,940**		
(Surplus) or deficit on revaluation of fixed assets	(4,155)	(2,511)	(1,644)	65.47%	
Actuarial (gains) / losses on pension assets / liabilities	8,222	(5,702)	13,924	-244.20%	g
Other Comprehensive Income and Expenditure	**4,067**	**(8,213)**	**12,280**		
Total Comprehensive Income and Expenditure	**(6,008)**	**(28,228)**	**22,220**		

a	Revaluation losses in 2013/14, not recurring in 2014/15		
	Riverside Leisure Centre	1,752	
	St Peter Hungate	395	
	Eaton Park - South Avenue	332	
	Castle	175	
	Other small amounts	262	
			(2,916)
	Decrease in annual depreciation		(244)
	Increased rental income		(164)
	Increased fees & charges		(57)
	Other small savings		(229)
			(3,610)
b	increase in push the pedalways expenditure		988
c	Reduced revaluation gains		10,973
	Increased expenditure on repaiirs and maintenance		1,226
	Other small increases		132
			12,331
d	Extra resouces in Revs and Bens to adress backlog		774
e	Gains made on asset sales, as opoosed to losses in 2013/14		(713)
	Reduction in provision market costs		(133)
	Reduction in costs on Lievstock market		(63)
	Increase in payments to Government Housing Capital receipts Pool		41
			(868)
f	Increased council tax income		(193)
	Increased business rates income		(263)
	Reduction in non-ringfenced goevrment grants		878
	Increased business rates tariff		456
	Reduction in capital grants and contributions		32
			910
g	Actuarial Loss as calcualted by actuary		

	Draft 2014/15 £000	2013/14 £000	Change £000	Change %	Ref
Property, Plant & Equipment	778,286	764,048	14,238	1.86%	a
Heritage assets	20,663	20,643	20	0.10%	
Investment properties	35,767	35,549	218	0.61%	
Intangible Assets	848	910	(62)	-6.81%	
Long Term Investments	3,916	3,842	74	1.93%	
Long Term Debtors	9,784	9,153	631	6.89%	
Long Term Assets	**849,264**	**834,145**	**15,119**		
Short Term Investments	50,323	42,430	7,893	18.60%	b
Assets Held for Sale	150	1,392	(1,242)	-89.22%	
Short term debtors	12,665	10,232	2,433	23.78%	c
Inventories	23	23	-	0.00%	
Cash and Cash Equivalents	13,303	20,016	(6,713)	-33.54%	d
Current Assets	**76,464**	**74,093**	**2,371**		
Short Term Borrowing	(1,300)	(1,300)	-	0.00%	
Short Term Creditors	(24,457)	(25,089)	632	-2.52%	
Capital Grants & Contributions Receipts in Advance	(1,835)	(2,240)	405	-18.08%	
Current Liabilities	**(27,592)**	**(28,629)**	**1,037**		
Provisions	(574)	(346)	(228)	0.00%	
Long Term Creditors	(3,511)	(3,725)	214	-5.74%	
Long Term Borrowing	(224,717)	(224,782)	65	-0.03%	
Other Long Term Liabilities	(147,086)	(134,923)	(12,163)	9.01%	e
Capital Grants and Contributions Receipts in Advance	(898)	(493)	(405)	82.15%	
Long Term Liabilities	**(376,786)**	**(364,269)**	**(12,517)**	**82.45%**	
Net Assets	**521,350**	**515,340**	**6,010**	**-22.82%**	
Usable Reserves	63,853	59,776	4,077	10.37%	
Unusable Reserves	457,497	455,564	1,933	-25.09%	
Total Reserves	**521,350**	**515,340**	**6,010**		

a	see note 12 in statement of accounts	
b	Transfer from Long term investments	3,000
	Investments made for longer time so not classified as cash equivalents	5,250
		8,250
c	Week 52 rent rebate adjusment 2014/15, not required 2013/14 as 31/3/14 was a Sunday	457
	HB paid 31/3/15 relating to 2015/16	1,944
		2,401
d	Investments made for longer time so not classified as cash equivalents	(5,250)
	Increase in petty cah	3
	Bank current account overdrawn in 2014/15, not in 2013/14	(1,466)
		(6,713)
e	Increase in pension liability as calculated by actaries	12,098
	Movement of bequests from LTB	65
		12,163




Statement of accounts for the year ending 31 March 2015

NORWICH
City Council

Contents

Explanatory Foreword

1. Who we are and what we do

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

The City Council is responsible for approximately 60% of the urban area of the City, including the historic city centre, covering a population of approximately 135,900 people (Source: 2013 midyear estimates, Office of National Statistics ONS).

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

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

Norwich - facts and figures

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

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

More detail on the economic, social, health, cultural and environmental picture of the City can be found in the council's corporate plan at:
http://www.norwich.gov.uk/YourCouncil/KeyDocuments/CouncilPerformance/Documents/Corporateplan.pdf

The council

The City Council has approximately 536 full time equivalent (FTE) employees (of which 16 are Agency staff), who, along with various partner organisations, provide a range of different services for Norwich residents and visitors including:

- Street cleansing, waste collection and recycling services
- Planning, regeneration and economic development services
- Transport services
- Public protection services including licensing and environmental health
- Housing services including providing and maintaining approximately 16,000 Council homes - making us one of the largest local Council landlords
- Parks and open spaces
- Cultural, tourism and leisure services
- Processing housing and council tax benefits
- Electoral services

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

The current political make up of the Council is as follows:

- Labour – 22 seats
- Green Party - 14 seats
- Liberal Democrats - 3 seats

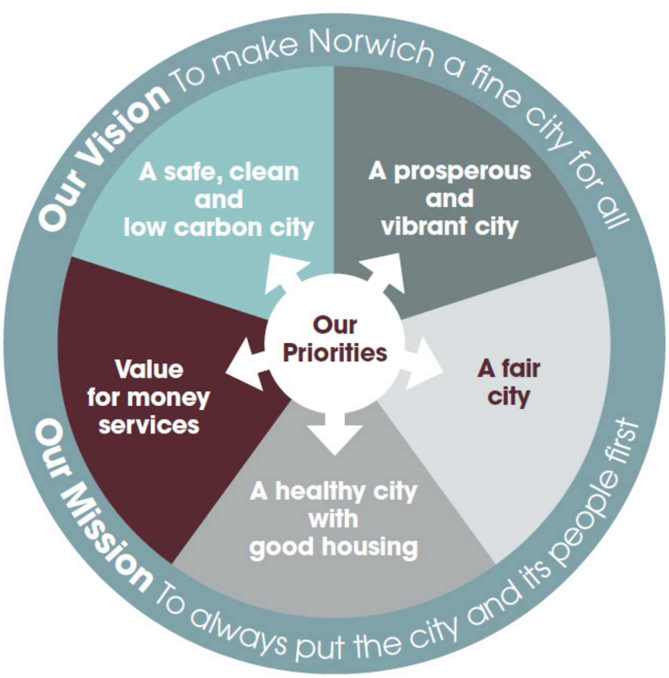
The Council operates a 'leader and cabinet' structure. The current cabinet consists of seven members of the Labour group, including the leader of the Council.

- Leader of the Council
- Deputy leader and cabinet member for housing and wellbeing
- Cabinet member for fairness and equality
- Cabinet member for environment and sustainable development
- Cabinet member for neighbourhoods and community safety
- Cabinet member for parks, markets and open spaces
- Cabinet member for resources and income generation

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

2. Priorities, performance and plans

Diagram showing our vision, mission, priorities and values 2015-2020



Our core values

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

P **Pride.** We will take pride in what we do and demonstrate integrity in how we do it.

A **Accountability.** We will take responsibility, do what we say we will do and see things through.

C **Collaboration.** We will work with others and help others to succeed.

E **Excellence.** We will strive to do things well and look for ways to innovate and improve.

Key perfomance measures and targets To ensure we are achieving our priorities and delivering the key actions that support them we devop and monitor key performance measures. We use these to test how we are doing. These are shown in the table below.

WHAT WE SOME TO ACHIEVE (OUR PRIORITIES)	Safe clean and low carbon city	Prosperous and vibrant city	Fair city	Healthy city with good housing	Value for money services
WHAT WE WILL DO TO ACHIEVE OUR PRIORITIES WORKING WITH OUR PARTNERS AND RESIDENTS (KEY ACTIONS)	To maintain street and area cleanliness	To support the development of the local economy and bring in inward investment through economic development and regeneration activities	To reduce financial and social inequalities	To deliver our annual Healthy Norwich action plan with our key partners to improve health and wellbeing in the City	To engage and work effectively with customers, communities and partner organisations, utilising data and intelligence and collaborative and preventative approaches to improve community outcomes.
	To provide efficient and effective waste collection services and reduce the amount of waste sent to landfill	To advocate for an effective digital infrastructure for the City	To advocate for a living wage across the City	To support the provision of an appropriate housing stock in the City including bringing long term empty homes back into use and building new affordable homes	To continue to reshape the way the council works to realise our savings target and improving council performance wherever possible.
	To work effectively with the police to reduce anti-social behaviour, crime and the fear of crime	To maintain the historic character of the City through effective planning and conservation management	To encourage digital inclusion so local people can take advantage of digital opportunities	To prevent people in the City from becoming homeless through providing advice and alternative housing options	To improve the efficiency of the council's customer access channels
	To protect residents and visitors by maintaining the standards of food safety	To provide effective cultural and leisure opportunities for people in the City and encourage visitors and tourists to the City	To reduce fuel poverty in the City through a programme of affordable warmth activities	To improve the council's own housing stock through a programme of upgrades and maintenance and provide a good service to tenants	To maximise council income through effective asset management, trading and collection activities
	To maintain a safe and effective highway network in the City and continue to work towards 20mph zones in residential areas			To improve the standard of private housing in the City through advice, grants and enforcement and supporting people's ability to live independently in their own homes through provision of a home improvement agency	
	To mitigate and reduce the impact of climate change wherever possible and protect and enhance the local environment				
	To reduce the council's own carbon emissions through a carbon management programme				

Key perfomance measures and targets To ensure we are achieving our priorities and delivering the key actions that support them we devop and monitor key performance measures. We use these to test how we are doing. These are shown in the table below.

WHAT WE SOME TO ACHIEVE (OUR PRIORITIES)	Safe clean and low carbon city		Prosperous and vibrant city		Fair city		Healthy city with good housing		Value for money services	
HOW WE MEASURE WHAT WE ARE ACHIEVING (KEY PERFORMANCE MEASURES)	% of streets found clean on inspection	% of people satisfied with waste collection	Number of new jobs created/ supported though council funded activity	Delivery of the council's capital programme (encompassing all key regeneration projects)	Delivery of the reducing inequalities action plan	% of people saying debt issues had become manageable following face to face advice	Delivery of the Healthy Norwich action plan	Relet times for council housing	% of residents satisfied with the service they received from the council	Council achieves savings targets
	% of people feeling safe	Residual household waste per household (Kg)	Number of new business start ups	Amount of funding secured by the council for regeneration activity	% increase in the number of contractors, providers and partner organisations paying their employees a living wage	Delivery of the digital inclusion action plan	Number of long term empty homes brought back into use	Number of new affordable homes delivered on council land or purchased from developers	% of council partners satisfied with the opportunities to engage with the council	Avoidable contact level
	% of food businesses achieving safety compliance	% of residential homes on a 20mph street	Planning quality measure	Provision of free wi-fi in City Centre	Number of private sector homes where council activity improved energy efficiency	Timely processing of benefits	Preventing homelessness	People who feel that the work of the home improvement agency has enabled them to maintain independent living	Channel shift measure	% of income owed to the council collected
	Number of accident casualties on Norwich roads	% of adults living in the City Council's area who cycle at least once per week	Delivery of the heritage investment strategy action plan	% of people satisfied with leisure and cultural facilities			% of council properties meeting Norwich standard	% of people satisfied with the housing service	% of income generated by the council compared to expenditure	% of customers satisfied with the opportunities to engage with the council
KEY SERVICES CONTRIBUTING	Reduction in CO_2 emissions for the Norwich area	Reduction in CO_2 emissions from local authority operations	Number of visitors to the City				Number of private sector homes made safe			Delivery of local democracy engagement plan
	% of people satisfied with parks and open spaces									
	% of people satisfied with their local environment									

Performance against our priorities

Below we summarise some of our recent key achievements against each of the priorities within our corporate plan.

Making Norwich a prosperous and vibrant city

- Creation of 375 new jobs against our target of 300 as a result of the Councils increased resources put into business support, via Norwich's City deal.
- Secured £2.612 million of regeneration funding, significantly above our target of £250,000, from The Department for Transport, to develop the Push the Pedalways project.
- A substantial 94% of people against a target of 53% confirmed that their debt issues had become manageable, through a variety of approaches and education, following access to the council's debt and money advice services.
- As a result of our Cosy City scheme, the council helped 391 private households improve their energy efficiency, considerably above our target of 150.

Making Norwich a city of character and culture

- Successfully completing 93% of major planning applications and 90% of minor and other planning applications within target.
- Continued refurbishment and maintenance projects, resulted in 79% of people satisfied with parks and open spaces, against our target of 75%.
- Achieved a high of 96% satisfaction levels with the council's leisure and cultural facilities, way above our target of 75%.

Making Norwich a healthy city with good housing

- The Council has prevented 596 individuals or families from becoming homeless against a target of 300.
- Succeeded in 150 long term empty properties being brought back into use, as a result of enforcement work and the 2014/15 empty homes review, which was significantly above our target of 20.
- Third year in a row that the Council has continued to successfully re-let council houses within an average of 14 days, against a challenging target of 16 days.

Making Norwich a safe, clean and low carbon city

- Resident satisfaction levels for the Councils waste collection service has improved from 74% (2013/14) to 81% (2014/15) and is above our challenging target.
- A recorded 78% of people reported feeling safe against the Councils target of 72%.
- Through education, support and enforcement by the Food and Safety team, the council has continued to increase the number of compliant food premises to 92%, above our target of 90%.
- Our carbon management programme successfully reduced the councils CO_2 emissions from local authority operations by 5.38% against a target of 2.00%.

Ensuring value for money services

- A recorded 95.3% of residents are satisfied with the service delivered by the Council, above our very challenging target of 93%.
- Successfully collected 98.3% of income owed to the Council, above our target.

External recognition of overall council performance and efficiency

The council initially received external verification of our improvement and efficiency work and our changing pace blueprint (operating model) for the future through a successful peer challenge in March 2012, supported by the LGA. The peer challenge team said:

"There is little doubt that Norwich City Council has been on an impressive journey of improvement over recent years. The organisation is rightly proud of that.

The pride, passion and desire to succeed for the people of Norwich are clearly evident and will be a key asset as you move forward.

A range of notable service improvements, better outcomes and budget savings can be evidenced as a result of the journey you have been on. The housing service has improved vastly and there have been notable improvements in other services such as waste recycling

Partners are beginning to recognise how far the council has come. You now have a reputation as an organisation who delivers on promises.

You are now an organisation that others are signposted to and a place that others visit and learn from.

We think the philosophy and principles of your proposed new operating model are relevant, appropriate and realistic given the political priorities, challenges and context in Norwich."

This external recognition continued in March 2013 when the council:

- Won the Gold Award for 'Delivering through efficiency' in the Improvement and Efficiency Awards 2013 in recognition of the significant savings we have delivered while continuing to improve performance.
- Was highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year Category.

In March 2014, the council received even further external recognition through winning the following two prestigious national awards:

- Gold Award for overall 'Council of the Year; in the iESE Improvement and Efficiency Awards 2014.
- Local Government Chronicle (LGC) Award for 'Most Improved Council' 2014.

Cllr Paul Bettison, chair of iESE, said: 'I'd like to offer my congratulations to Norwich City Council. A truly outstanding local authority, it has grown from a once poor performer to one that now boasts savings proportionally higher than many much larger authorities. Following a whole culture and systems change across the organisation, its innovative solutions and thinking 'outside of the box' has earned high credibility with both residents and businesses".

LGC judges said: "Our winner in the Most Improved Council category had formed a strong partnership with a wide range of stakeholders and showed a compelling narrative of leadership improvement that has left it able to punch well above its weight. Congratulations to Norwich City Council."

In April 2014, the council found out it had also been formally commended by the judges in the MJ's overall award of 'Best Achieving Council' 2014.

In April 2015, the council was selected as a finalist in the MJ Local Government Achievement Awards 2015, for 'Best Achieving Council'.

3. Statement of Accounts

Each year Norwich City Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. These accounts relate to the year ended 31 March 2015. This foreword intends to give a general guide to the significant matters reported in the statements.

The Statements of Accounts for 2014/15 have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2014/15'. This sets out the principles and practices of accounting required to prepare accounts that present a true and fair view of the financial position and transactions of a local Council. This code is based on International Financial Reporting Standards (IFRS).

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

The accounts contain a series of statements, summarising financial activity during the year and setting out the Council's assets and liabilities at the end of the Council's financial year on 31 March 2015, as follows:

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

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

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

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

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

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

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

4. Net Cost of Services – actual cost compared to budgeted

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

Cost of Services	Budget £'000	Actual £'000	Unbudgetted Items £'000	Adjusted Actual £'000	Variance £'000
Housing (Council)	(18,218)	(22,688)	(2,122)	(20,566)	(2,348)
Housing (Non-Council)	3,086	3,852	(134)	3,986	900
Cultural and Related Services	7,304	6,816	(62)	6,878	(426)
Environmental & Regulatory Services	9,180	8,352	(221)	8,573	(607)
Planning Services	2,264	3,557	(147)	3,704	1,440
Central Services to the Public	3,856	3,648	(105)	3,753	(103)
Highways, Roads & Transport Services	(1,847)	(2,685)	(165)	(2,520)	(673)
Corporate & Democratic Services	2,694	2,096	(48)	2,144	(550)
Non-Distributed amounts	-	53	-	53	53
Net Cost of Services	**8,319**	**3,001**	**(3,004)**	**6,005**	**(2,314)**

Other Non Cost of Services	Budget £'000	Actual £'000	Unbudgetted Items £'000	Adjusted Actual £'000	Variance £'000
Other Operating Expenditure	(438)	500	(430)	930	1,368
Financing & Investment Income & Expenditure	7,257	13,359	5,676	7,683	426
Taxation & Non-Specific Grant Income	(22,420)	(26,935)	-	(26,935)	(4,515)
Total Other Non Cost of Service	**(15,601)**	**(13,076)**	**5,246**	**(18,322)**	**(2,721)**
(Surplus) / Deficit on Provision of Services	**(7,282)**	**(10,075)**	**2,242**	**(12,317)**	**(5,035)**

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

Housing (Council)

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

- Bad debt provision £(822)k – Allowance was made for increase in rent arrears and associated bad debt due to implementation of Universal Credit and under-occupancy benefit changes. As Universal credit is yet to be implemented, the increase in bad debt provision was not required.
- Repairs made to council houses £(591)k
- Central departmental support (CDS) charges £(422)k Due to savings within the General Fund, the amount recharged to the HRA was lower than budgeted
- District heating fuel £(308)k Due to lower than anticipated fuel use
- Salaries & agency staff £(300)k Due to vacancies and resulting recruitment delays.
- NPS professional advice / fees £(179)k - budgets not removed when NPS transferred
- Sheltered Housing £(102)k Mainly due to lower than anticipated spend on snow clearing and decorations

- Equal opportunities grant £(100)k Budget for assisting tenants who are suffering financial difficulties, due to Universal Credit. As Universal credit is yet to be implemented, budget not required.
- Service charge income £443k – mainly due to changes in district heating and sheltered housing service charge levels mid-year – partially offset by underspends against district heating £(308)k and sheltered housing £(102)k

Housing (Non-Council)

This includes income and expenditure relating to the Housing Options (including Homelessness), Strategic Housing and Private Sector Housing functions.

An underspend of £(116)k on Private Sector Housing due to budgeted interest not charged
An underspend on Homelessness due to lower than budgeted recharges £(98) and recovered costs increased £(48)k
Unbudgeted Disabled facilities grants £823k
Unbudgeted Grants to registered housing providers £199k
Decrease in Housing benefit subsidy £3,238k
Decrease in housing benefit rent rebates £(2,732)k
Increased Housing benefit recovery of overpayments £(680)k
Unbudgeted Housing Benefit overpayments provision for bad debts and write-offs £484k

Cultural & Related Services

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

- Actual depreciation £222k less than budgeted for open spaces
- Actual depreciation £125k less than budgeted for the castle
- Capital grants applied/unapplied of recognising receipt of contributions of £(181)k

Environmental & Regulatory Services

This includes income and expenditure relating to street sweeping and waste collection, parks and open spaces and food safety. Major variances include:

- Integrated Waste Management Cleansing Contract variance is due to an over accrual £(283) in 2013/14
- Street cleaning other contractual services £(115)k due to lower activity on the responsive elements of the budget.

Planning Services

This includes planning, economic development, public health, and licencing activities of the Council. Major variances include:

Unbudgetted Highways Revenue Expenditure Funded from Capital under statute (REFCUS) £1.7m cycleways work

Central Services to the Public

This includes income & expenditure relating to Council tax & benefit administration. There are no significant underlying variances.

Highways, Roads and Transport

The underspend of £(672)k is made up with £(378)k increased parking income above budget and £(292)k lower deprecation charge than budgeted.

Corporate & Democratic Services

This includes income and expenditure relating to the corporate management & democratic accountability to the Council. Major variances include:

- Additional income from grants £(357)k
- Actual contribution from deferred reserve less than budgeted £(542)k

Other Operating Income

This includes items that are non-core business income and expenditure. Variances include unbudgeted payments to Government Housing Capital Receipts Pool £976k, unbudgeted provision market depreciation £267k and a decrease in provision market rental income £137k

Taxation and Non-Specific Grant Income

This includes the financial activities of the council. Variances include increase in the Council Tax Surplus £(210)k, Budgetted Levy in Business Rates not required £(549)k, increase in deficit on Business Rates £865k, unbudgeted grant income £(4,983)k

5. Significance of any pensions liability disclosed

Details of the Council's pension liability calculated under IAS19 are shown at note 44 of the core financial statements

Effectively the pension scheme is in deficit by £147m compared with what is needed to pay the pensions of the current scheme members and the effect is to reduce the overall net worth of the Council by that amount. This valuation is a snapshot in time which assumes that all the employees of the Council who are scheme members, retired at the date of the valuation and are entitled to their pension based on their service at that date.

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

6. Current Borrowing facilities & capital borrowing

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

The Council has not undertaken any new borrowing in 2014/15.

Long Term Borrowing is disclosed and analysed in note 16.

7. Capital Strategy and Capital programme 2014/15 to 2018/19

The Capital Strategy and Capital programme were approved at the Council meeting of 18 February 2014. The Capital Strategy provided the framework within which the Council's investment plans were to be delivered. The reduced level of Government resources available and the uncertainty about the level of resources for future years, influenced the shape and size of the 2014/2019 Capital Programme.
The Capital Programme for 2014/15 to 2018/19 mirrors the timeframe of the Medium Term Financial Strategy so that over the five years, resources available to the Council matched planned expenditure.

The table below sets out the overall level of available resources by category for the period 2014/19. This shows that, in total, funding the Capital Programme in 2014/15 was £71.862m. As the year progressed these estimates were revised in line with new assumptions and information as they became available.

	2014/15	2015/16	2016/17	2017/18	2018/19
Capital Grants	8,411	408	408	408	408
Major Repairs Reserve	16,611	12,333	12,346	12,312	12,276
Borrowing	18,085	26,471	27,245	-	-
Revenue Contribution to Capital	19,885	31,538	16,809	13,684	17,434
Leaseholder Contributions to major works	250	250	250	250	250
Capital Receipts	7,217	10,520	4,732	2,828	2,731
s106 Contributions	1,091	275	371	368	346
Other	312	3	-	-	-
	71,862	**81,798**	**62,161**	**29,850**	**33,445**

8. Sustainability reporting

The Council is committed to addressing environmental issues. Further details can be obtained from our Environmental Strategy 2015 – 2019
http://www.norwich.gov.uk/Environment/EcoIssues/Documents/EnvironmentalStrategy.pdf

The draft Environmental Strategy for 2015-19 has been agreed by Cabinet but at the time of producing this Statement is not ready in its final format. A link will be made available for the final version of the Statement of Accounts before it is made available to the public.

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

Opinion on the Authority’s financial statements

We have audited the financial statements of Norwich City Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority’s financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, and the related notes 1 to 47, the Housing Revenue Account Income and Expenditure Statement, the Movement in Reserves (Housing Revenue Account), and the related notes 1 to 13, the Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Norwich City Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Norwich City Council and the authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities set out on page 23, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the Audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2015 that the financial statements are published in to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Norwich City Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the year ended 31 March 2015 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Norwich City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of Norwich City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Rob Murray
for and on behalf of Ernst & Young LLP, Appointed Auditor
One Cambridge Business Park, Cambridge, CB4 0WZ, United Kingdom

Statement of Responsibilities for the Statement of Accounts

1. The Council's Responsibilities

The Council is required to:

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

2. The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

3. Certificate of Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Norwich City Council as at 31 March 2015 and its income and expenditure for the year then ended.

Signed: Date:

Justine Hartley BSc CPFA

Chief Finance Officer

Certificate of Adoption of the Statement of Accounts

Signed: Date:

Paul Neale – Chair of Audit Committee
Signed on behalf of Norwich City Council

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014 carried forward	**8,313**	**2,603**	**25,129**	**4**	**19,823**	**-**	**3,904**	**59,776**	**455,564**	**515,340**
Movement in reserves during 2014/15										
Surplus/ (deficit) on provision of services	(3,264)	-	13,340	-	-	-	-	10,076	-	10,076
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(4,067)	(4,067)
Total Comprehensive Income & Expenditure	**(3,264)**	**-**	**13,340**	**-**	**-**	**-**	**-**	**10,076**	**(4,067)**	**6,009**
Adjustments between accounting basis & funding basis under regulations (note 7)	6,043	-	(18,270)	-	4,989	-	1,174	(6,064)	6,064	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**2,779**	**-**	**(4,930)**	**-**	**4,989**	**-**	**1,174**	**4,012**	**1,997**	**6,009**
Transfers to/from Earmarked Reserves (note 8)	(1,478)	1,478	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	(19)	-	84	-	-	65	(65)	-
Increase/(Decrease) in 2014/15	**1,301**	**1,478**	**(4,949)**	**-**	**5,073**	**-**	**1,174**	**4,077**	**1,933**	**6,009**
Balance at 31 March 2015 carried forward	**9,614**	**4,081**	**20,180**	**4**	**24,896**	**-**	**5,078**	**63,853**	**457,497**	**521,349**

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2013 carried forward	**5,195**	**2,655**	**27,788**	**5**	**15,227**	**5**	**1,563**	**52,438**	**434,674**	**487,112**
<u>Movement in reserves during 2013/14</u>										
Surplus/ (deficit) on provision of services	(4,717)	-	24,733	-	-	-	-	20,016	-	20,016
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	8,213	8,213
Total Comprehensive Income & Expenditure	**(4,717)**	**-**	**24,733**	**-**	**-**	**-**	**-**	**20,016**	**8,213**	**28,229**
Adjustments between accounting basis & funding basis under regulations (note 7)	7,772	-	(27,393)	-	4,494	(5)	2,352	(12,780)	12,779	(1)
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**3,055**	**-**	**(2,660)**	**-**	**4,494**	**(5)**	**2,352**	**7,236**	**20,992**	**28,228**
Transfers to/from Earmarked Reserves (note 8)	63	(52)	1	(1)	-	-	(11)	-	-	-
Transfers between reserves	-	-	-	-	102	-	-	102	(102)	-
Increase/(Decrease) in 2013/14	**3,118**	**(52)**	**(2,659)**	**(1)**	**4,596**	**(5)**	**2,341**	**7,338**	**20,890**	**28,228**
Balance at 31 March 2014 carried forward	**8,313**	**2,603**	**25,129**	**4**	**19,823**	**-**	**3,904**	**59,776**	**455,564**	**515,340**

Comprehensive Income and Expenditure Statement

		2014/15			2013/14		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public		6,211	(2,563)	3,648	6,383	(2,627)	3,756
Cultural and Related Services		8,492	(1,677)	6,816	11,870	(1,444)	10,426
Environmental and Regulatory		11,106	(2,754)	8,352	11,082	(2,655)	8,427
Planning Services		4,617	(1,060)	3,557	3,708	(1,140)	2,569
Highways, Roads & Transport Services		5,747	(8,432)	(2,685)	5,534	(8,284)	(2,750)
Local Council Housing (HRA)		50,139	(72,827)	(22,688)	38,429	(73,448)	(35,019)
Other Housing Services		73,256	(69,405)	3,852	74,424	(70,460)	3,965
Corporate & Democratic Core		4,632	(2,536)	2,096	3,879	(2,557)	1,322
Non-Distributed Costs		53	-	53	144	-	144
Cost of Services		**164,254**	**(161,254)**	**3,000**	**155,456**	**(162,616)**	**(7,160)**
Other Operating Expenditure	9			500			1,368
Financing and Investment Income and Expenditure	10			13,359			13,621
Taxation and Non-Specific Grant Income	11			(26,935)			(27,844)
(Surplus) / Deficit on Provision of Services				**(10,076)**			**(20,015)**
(Surplus) / deficit on revaluation of non-current assets	12&13			(4,155)			(2,511)
Actuarial (gains) / losses on pension assets / liabilities	44			8,222			(5,702)
Other Comprehensive (Income) and Expenditure				**4,067**			**(8,213)**
Total Comprehensive (Income) and Expenditure				**(6,009)**			**(28,228)**

Balance Sheet

	Notes	31-Mar-15	31-Mar-14	31-Mar-13
		£'000	£'000	£'000
Property, Plant & Equipment	12	778,286	764,048	746,715
Heritage Assets	13	20,663	20,643	19,965
Investment Properties	14	35,767	35,549	36,228
Intangible Assets	15	848	910	838
Long term Investments	17	3,916	3,842	16,814
Long Term Debtors	18	9,784	9,153	8,236
Long Term Assets		**849,264**	**834,145**	**828,796**
Short Term Investments	19	50,323	42,430	28,200
Assets Held for Sale	20	150	1,392	1,880
Short term Debtors	21	12,665	10,232	12,584
Stock		23	23	28
Cash and Cash Equivalents	22	13,303	20,016	6,358
Current Assets		**76,464**	**74,093**	**49,050**
Short Term Borrowing		(1,300)	(1,300)	(1,300)
Short Term Creditors	23	(24,457)	(25,089)	(21,119)
Capital Grants Receipts in Advance Short Term	38	(1,835)	(2,240)	(1,060)
Current Liabilities		**(27,592)**	**(28,629)**	**(23,479)**
Long Term Creditors	24	(3,511)	(3,725)	(3,926)
Long term Borrowing	16	(224,717)	(224,782)	(224,783)
Other Long Term Liabilities	43	(147,086)	(134,923)	(136,230)
Provisions	25	(574)	(346)	-
Capital Grants Receipts in Advance Long Term	38	(898)	(493)	(2,314)
Long Term Liabilities		**(376,786)**	**(364,269)**	**(367,253)**
Net Assets		**521,350**	**515,340**	**487,114**
Usable Reserves	26	63,853	59,776	52,438
Unusable Reserves	27	457,497	455,564	434,674
Total Reserves		**521,350**	**515,340**	**487,113**

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 29 June 2015

Signed: Date:

Chief Finance Officer

Cash Flow Statement

	Notes	2014/15	2013/14
		£'000	**£'000**
Net surplus or (deficit) on provision of services		10,076	20,016
Adjustments to net surplus or deficit on provision of services for non-cash movements	28	24,574	28,576
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(11,870)	(10,514)
Net cash flows from Operating Activities		**22,780**	**38,078**
Investing Activities	29	(30,619)	(23,964)
Financing Activities	30	1,126	(456)
Net Increase or (decrease) in cash and cash equivalents		**(6,713)**	**13,658**
Cash and cash equivalents at the beginning of the reporting period	22	20,016	6,357
Cash and cash equivalents at the end of the reporting period	22	**13,303**	**20,016**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011.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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income & Expenditure

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

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

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

Agency services

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

Cash & Cash Equivalents

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Debtors and Creditors

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

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

Employee Benefits

Benefits Payable During Employment
Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (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. The accrual is charged to Surplus or Deficit on the Provision of Services.

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

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

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

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

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

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

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

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited Statements to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Norfolk pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events After the Balance Sheet Date

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

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

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

Exceptional Items

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

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

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

Government Grants & Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued on a five year rolling programme according to market conditions at the year-end. Carrying values are reviewed annually to ascertain if materially different from market values for those assets not valued in year. Gains and losses on revaluation are posted to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Jointly Controlled Operations & Jointly Controlled Assets

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

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

Group Accounts

The Code requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.   The Council has gone through a process in line with the Code guidance flowcharts to demonstrate that the relevant provisions do not apply and that the Council has fully complied with the 2014 Code Group Accounts' requirements in its 2014/2015 Statement of Accounts.

Leases

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

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

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

<u>The Council as Lessee</u>

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

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

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

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

Operating Leases

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

<u>The Council as Lessor</u>

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads & Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15*(SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Intangible Assets

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

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

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

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

Property, Plant & Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure

Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

Componentisation
The 2014/15 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

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

'- Assets, excluding Council dwellings, that are above the £1m de-minimis threshold will be componentised where the cost of the component:
is significant in relation to the overall total cost of the asset and
has a different useful life and/or method of depreciation to the main asset.

This policy excludes land assets which are already identified separately.

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

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

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

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

<u>Depreciation</u>
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. Prior to 1st April 2012 the Major Repairs Allowance was used as a reasonable estimate for depreciation of dwellings.
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation of between 25-40 years.
- Plant, furniture & equipment – straight line allocation over the useful life of asset.

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

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

Disposals & Non-Current Assets Held for Sale

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

Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Paintings
The Council owns a collection of paintings which are stored, managed insured, valued and cared for on behalf of the Council by NMAS in line with County Council and National Museums standards. The collection of paintings is reported in the Balance Sheet at insurance value. Individual items in the collection are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income

and Expenditure Statement. The collection of paintings is deemed to have indeterminate lives and a high residual value; hence the Trustees do not consider it appropriate to charge depreciation.

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

Sculptures and Bronzes
The Council owns 25 sculptures and bronzes which are situated in external locations around the city. Due to the external location the items are not insurable. The Sculptures and Bronzes are reported in the Balance Sheet at insurance value (as if they could be insured) 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. Due to the external location the items are not insurable. The assets are reported in the Balance Sheet at insurance value (as if they could be insured) 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

Provisions, Contingent Assets & Liabilities

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

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

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

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

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

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Collection Fund

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

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

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

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

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

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

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

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

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

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

VAT

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

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

The Code requires the authority to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. The following standards fall within this category:

IFRS 13, *Fair Value Measurement* - This standard was issued in May 2011. Its objective is to define fair value and to provide a framework to measure fair value consistently, replacing the definitions of fair value provided in other individual standards. The authority will adopt the standard from 1 April 2015. Its effect will be to change the basis of valuations made for surplus assets, investment properties and assets held for sale to 'highest and best use'. The authority has £35,766,721 of investment properties, and currently holds a small portfolio of surplus assets valued at £115,000 and one asset held for sale valued at £150,000 which is scheduled to be sold during 2015/16. The effect on the authority's accounts for 2015/16 is unlikely to be material.

Annual Improvements to IFRSs 2011 – 2013 Cycle - This covers amendments to four standards;

- IFRS 1; *Meaning of Effective IFRSs*
- IFRS 3: *Scope Exceptions for Joint Ventures*
- IFRS 13: *Fair Value Measurement* - consideration of the scope of paragraph 52 (portfolio exception) and
- IAS 40: Clarifying the inter-relationship of IFRS 3 *Business Combinations* and IAS 40 *Investment Property* in respect to classifying property as either investment property or owner-occupied property.

None of the above amendments are expected to have any appreciable impact on the authority's 2015/16 accounts.

IFRIC 21, *Levies* – This standard was issued in May 2013. It provides guidance on when to recognise a liability to pay a government-imposed levy, and is not expected to have any appreciable impact on the authority's 2015/16 accounts.

3. Critical Judgments in Applying Accounting Policies

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

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

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

Property, plant and equipment

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

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

The significant assumptions applied in estimating the fair values are:

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

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

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

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

Investment Properties

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

Post Retirement Benefits

Pensions liability – the estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analyses are provided in note 44

Group boundaries

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

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

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

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

Items	**Uncertainties**	**Effect if Actual Results differ from Assumptions**
Business Rates	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2012-13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals .	Should the outstanding appeals be successful, the amount owed to businesses may be more than estimated, in which case the proportionate share of this would require an increase to the provision. However there may be appeals that are not successful or they maybe 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 £778.3m	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.276m for every year that useful lives had to be reduced
Pensions Liability £147m	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The sensitivities resulting in an impact on the Council's finances are disclosed in Note 44
Arrears	At 31 March 2015, the Council had a balance of sundry debtors for £2.4m. A review of significant balances suggested that an impairment of doubtful debts ranging from 10% to 100% (£0.649m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the amount of the impairment for doubtful debt would be required.
Housing Stock	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components. The valuation of housing stock may be under or overstated

Housing Stock	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid. The depreciation of council dwellings may be under or overstated

5. Material Items of Income and Expense

There were no material items of income and expenditure in the current year

6. Events after the Balance Sheet Date

The unaudited Statement of Accounts were authorised for issue on 30 June 2015. This is the date up to which events after the balance sheet date have been considered.

7. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

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

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

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

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

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

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(3,390)	(15,153)	-	-	-	(18,543)	18,543
Revaluation (gains)/ Losses on Property, Plant and Equipment	(250)	3,916	-	-	-	3,666	(3,666)
Movement in Market Value of Investment Properties	(182)	-	-	-	-	(182)	182
Capital Grants and Contributions Applied	1,234	81	-	-	-	1,315	(1,315)
Movement in Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(3,053)	-	-	-	-	(3,053)	3,053
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	(2,117)	(8,033)	-	-	-	(10,150)	10,150
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment	1,018	76	-	-	-	1,094	(1,094)
Capital expenditure charged against the General Fund and HRA balances	-	16,958	-	-	-	16,958	(16,958)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,464	172	-	-	(3,636)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,463	2,463	(2,463)

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,687	8,869	(10,556)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	4,342	-	-	4,342	(4,342)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(29)	(225)	254	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(976)	-	976	-	-	-	-
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	(46)	-	46	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(51)	-	-	(51)	51
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA	-	12,653	-	(12,653)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	12,653	-	12,653	(12,653)
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	88	-	-	-	-	88	(88)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,265)	(2,484)	-	-	-	(9,749)	9,749
Employer's pension contributions and direct payments to pensioners payable in the year	4,429	1,441	-	-	-	5,870	(5,870)

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments involving the 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	(655)		-	-	-	(655)	655
Total Adjustments	(6,043)	18,270	(4,989)	-	(1,174)	6,064	(6,064)

2013/14 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	(3,790)	(14,659)	-	-	-	(18,449)	18,449
Revaluation (gains) / Losses on Property, Plant and Equipment	(2,712)	15,176	-	-	-	12,464	(12,464)
Movement in Market Value of Investment Properties	(317)	-	-	-	-	(317)	317
Capital Grants and Contributions Applied	1,006	161	-	-	-	1,167	(1,167)
Movement in Donated Assets Account	306	-	-	-	-	306	(306)
Revenue expenditure funded from capital under statute	(1,748)	-	-	-	-	(1,748)	1,748
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,039)	(8,470)	-	-	-	(9,509)	9,509
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	1,033	72	-	-	-	1,105	(1,105)
Capital expenditure charged against the General Fund and HRA balances	-	15,923	-	-	-	15,923	(15,923)
Adjustments involving the Capital Grants Unapplied Account	-	-	-	-	-	-	-
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,116	394	-	-	(3,510)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,158	1,158	(1,158)
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	1,103	8,119	(9,222)	-	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	3,541	-	-	3,541	(3,541)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(28)	(227)	255	-	-	-	-
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(935)	-	935	-	-	-	-

2013/14 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Deferred Capital Receipts Reserve	-	-	-	-	-	-	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(17)	-	17	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	(20)	-	-	(20)	20
Adjustment involving the Major Repairs Reserve	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	11,891	-	(11,891)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	11,896	-	11,896	(11,896)
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	(62)	139	-	-	-	77	(77)
Adjustments involving the Pensions Reserve	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,039)	(2,431)	-	-	-	(10,470)	10,470
Employer's pension contributions and direct payments to pensioners payable in the year	4,776	1,305	-	-	-	6,081	(6,081)
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	(426)	-	-	-	-	(426)	426
Total Adjustments	**(7,773)**	**27,393**	**(4,494)**	**5**	**(2,352)**	**12,779**	**(12,779)**

8. Transfers to/from Earmarked and Other Reserves

This note sets out the amounts set
aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15 and 2013/14.

The following sets out a description of the reserves;

Insurance reserve

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

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

An evaluation of the balance on the Insurance Reserve has been undertaken and the amount set aside to cover the uninsured risks at 31 March 2015 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 . The initial levy was paid in 2014/15.

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

After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The Council will now face a liability of 15% of all future claims payments relating to the period it was insured by MMI, an allowance is also made for this within the reserve.

S31 Earmarked Reserve

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

In the same way that Council Tax operates a 'collection fund' which distributes the precepts/shares of council tax collected to the respective authorities, the business rates collection fund distributes the respective shares of business rates based on the NNDR return. Should the actual income collected from business rates exceed or not meet the anticipated amounts there would be a surplus or deficit on the fund. For 2014/15 there is a deficit on the collection fund that will be clawed back from the Government, County and the council of in future years under regulation.

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

A S31 Earmarked Reserve has been established which at 31st March 2015 holds the unutilized balance of the S31 grant monies received in 2013/14 and 2014/15. These monies will be transferred to the General Fund Reserves during 2015/16 and 2016/17 to mitigate the delayed impact of the 2013/14 & 2014/15 deficit on the NNDR Collection Fund as properly accounted for under regulation.

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

Building Control Reserve
This represents the accumulated surplus on fee-earning building control operations, as the building control operations now have fully transferred to another council, the balance has been transferred to General Fund.

Revenue Grants Unapplied Reserves
This reserve is the balance of revenue grant income received that has no conditions applied to it, but where the grant has yet to be applied and there are restrictions as to how the monies are to be applied. This ensures that amounts are set aside from the General Fund and the Housing Revenue Account balances to provide financing to meet the requirements of the grant. The amounts set aside will be transferred back to meet General Fund and Housing Revenue Account expenditure in future years, the transfer being accounted for in the Movement in Reserves Statement within the transfers to/or from Earmarked reserves line.

	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Insurance Reserve	600	(334)	214	480	(228)	155	407
Building Control Reserve	65	-	19	84	(84)	-	-
S31 Earmarked Reserve	-	-	-	-	-	1,526	1,526
Revenue Grants Unapplied Reserve GF	1,990	(48)	97	2,039	(128)	237	2,148
Revenue Grants Unapplied Reserve HRA	5	(1)	-	4	-	-	4
Total	**2,660**	**(383)**	**330**	**2,607**	**(440)**	**1,918**	**4,085**

Transfers between other reserves of £84,081 in the Movement in Reserves Statement comprise of Decent Home Loans & Home Improvement Loans repayments £62,009 (2013/14 £100,577) , Housing Act Advance repayments of £2,506 (2013/14 £1,282) and Repayment of discount £19,565 (2013/14 £nil)

9. Other Operating Expenditure

	2014/15	2013/14
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	976	935
(Gains)/Losses on the disposal of non-current assets	(426)	287
Provision Market	2	135
Livestock Market	(52)	11
Total	**500**	**1,368**

The deficit of £1,681 (13/14 £134,872) on trading of the provision market is not allocated back to services but included in other operating expenditure above

10. Financing and Investment Income and Expenditure

	2014/15	2013/14
	£'000	£'000
Interest payable and similar charges	10,128	10,068
Pension interest cost and expected return on pension assets	5,494	6,088
Interest Receivable and similar income	(717)	(1,336)
Income and expenditure in relation to investment properties and changes in their fair value	(1,670)	(1,473)
Impairment of Soft Loans	125	273
Total	**13,360**	**13,620**

11. Taxation and Non-Specific Grant Income

	2014/15	2013/14
	£'000	£'000
Council tax income	(7,834)	(7,641)
Non domestic rates income and expenditure	(29,867)	(29,604)
Non-ring fenced government grants	(9,682)	(10,560)
Capital grants and contributions	(4,951)	(4,983)
Business Rates - Tariff & Levy	25,400	24,944
Total	**(26,934)**	**(27,844)**

12. Property, Plant and Equipment

Movements in 2014/15	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 2014	**629,061**	**124,227**	**26,261**	**2,775**	**10,956**	**944**	**2,728**	**796,952**
Additions	28,528	574	571	121	169	-	4,458	**34,421**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1	1,695	-	-	-	(7)	-	**1,689**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,460)	(264)	-	-	-	-	-	**(14,724)**
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	4,867	181	-	-	-	-	-	**5,048**
Derecognition – Disposals	(6,381)	-	(112)	(4)	-	-	-	**(6,497)**
Derecognition - Other	(340)	-	-	-	-	-	-	**(340)**
Demolition	-	(237)	-	-	-	-	-	**(237)**
Assets Reclassified (to) / from Held for Sale	(833)	(355)	-	-	-	-	-	**(1,188)**
Other Movements in Cost or Valuation	944	137	-	-	-	-	(2,156)	**(1,075)**
At 31 March 2015	**641,387**	**125,958**	**26,720**	**2,892**	**11,125**	**937**	**5,030**	**814,049**
Accumulated Depreciation & Impairment								
At 1 April 2014	**(2,538)**	**(7,269)**	**(21,310)**	**(995)**	**(51)**	**(741)**	**-**	**(32,904)**
Depreciation charge	(12,653)	(2,897)	(859)	(71)	(7)	(5)	-	**(16,492)**
Depreciation written out to the Surplus/Deficit on Provision of Services	12,651	11	-	-	-	-	-	**12,662**
Depreciation write-back on revaluation to Revaluation Reserve	2	2,500	-	-	-	5	-	**2,507**
Impairment losses / (reversals) recognised in CIES	(1,380)	(212)	-	-	-	-	-	**(1,592)**
Impairment losses / (reversals) recognised in RR	-	(60)	-	-	-	-	-	**(60)**
Derecognition – Disposals	-	-	112	4	-	-	-	**116**
Derecognition - Other	26	(26)	-	-	-	-	-	**-**
At 31 March 2015	(3,892)	(7,953)	(22,057)	(1,062)	(58)	(741)	-	**(35,763)**
Net Book Value								
At 31 March 2015	**637,495**	**118,005**	**4,663**	**1,830**	**11,067**	**196**	**5,030**	**778,286**
At 31 March 2014	626,524	116,959	4,950	1,781	10,906	203	2,729	764,050

Comparative Movements in 2013/14	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2013	607,512	129,308	25,546	2,683	10,770	780	2,407	**779,006**
Additions	26,108	722	760	71	186	19	2,493	**30,359**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3	(3,516)	-	-	-	-	-	**(3,513)**
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(8,775)	(3,285)	-	-	-	-	-	**(12,060)**
Prior year revaluation decrease reversals recognised in the Surplus / (Deficit) on the Provision of Services	10,863	280	-	-	-	-	-	**11,143**
Derecognition – Disposals	(6,172)	-	(46)	-	-	-	-	**(6,218)**
Derecognition - Other	(1,230)	-	-	-	-	-	-	**(1,230)**
Assets Reclassified (to) / from Held for sale	(912)	293	-	-	-	-	-	**(619)**
Other Movements in Cost or Valuation	1,665	427	-	22	-	145	(2,171)	**88**
At 31 March 2014	**629,062**	**124,229**	**26,260**	**2,776**	**10,956**	**944**	**2,729**	**796,956**
Accumulated Depreciation & Impairment								
At 1 April 2013	(1,510)	(9,030)	(20,454)	(925)	(43)	(329)	-	**(32,291)**
Depreciation charge	(11,892)	(3,356)	(902)	(68)	(7)	(4)	-	**(16,229)**
Depreciation written out to the Surplus/Deficit on Provision of Services	11,891	123	-	-	-	-	-	**12,014**
Depreciation write-back on revaluation to Revaluation Reserve	1	5,369	-	-	-	-	-	**5,370**
Impairment losses / (reversals) recognised in CIES	(1,037)	(378)	-	-	-	(408)	-	**(1,823)**
Derecognition – Disposals	9	-	46	-	-	-	-	**55**
Derecognition - Other	-	2	-	(2)	-	-	-	**-**
At 31 March 2014	**(2,538)**	**(7,270)**	**(21,310)**	**(995)**	**(50)**	**(741)**	**-**	**(32,904)**
Net Book Value								
At 31 March 2014	**626,524**	**116,959**	**4,950**	**1,781**	**10,906**	**203**	**2,729**	**764,050**
At 31 March 2013	606,002	120,278	5,092	1,759	10,726	451	2,407	**746,715**

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 Norwich Ltd.

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

HRA Dwellings

The date of valuation is 31 March 2015

The valuers undertook a desktop revaluation following a full valuation undertaken as at 31st March 2011 by The District Valuer which was supplied to them. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

For each operational asset, that is, those held, occupied and used by the Council in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility, a Fair 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 61%, to arrive at EUV-SH to reflect the fact that sitting tenants enjoy rents lower than market rents and tenants' rights including Right to Buy

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

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

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

The valuations are made on the following assumptions:

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

HRA Non-Dwellings

The date of valuation is 31 March 2015

The valuers undertook a desktop revaluation following a full valuation undertaken as at 31st March 2011 by The District Valuer which was supplied to them. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

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

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

General Fund Assets

The date of valuation is 1 April 2014

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

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

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

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

VALUATION CYCLE **'000s**	**Council dwellings**	**Other Land & Buildings**	**Community assets**	**Infrastructure**	**Vehicles, Plant, & Equipment**	**AUC**	**Surplus properties**	**Total PPE**
Valued at historical cost			11,067	1,830	4,663	5,030		**22,590**
Valued at current value								**-**
2014-15	637,495	28,997					55	**666,547**
2013-14		29,963						**29,963**
2012-13		37,267					141	**37,408**
2011-12		883						**883**
2010-11		20,895						**20,895**
Total	**637,495**	**118,005**	**11,067**	**1,830**	**4,663**	**5,030**	**196**	**778,286**

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

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

13. Heritage Assets

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

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountain etc	Buildings	Total Heritage Assets
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Valuation						
1st April 2013	7,389	4,675	2,235	2,287	3,379	**19,965**
Additions	-	-	-	-	26	**26**
Disposals	(2)	-	-	-	-	**(2)**
Revaluations	654	-	-	-	-	**654**
31st March 2014	**8,041**	**4,675**	**2,235**	**2,287**	**3,405**	**20,643**
Valuation						
1st April 2014	8,041	4,675	2,235	2,287	3,405	20,643
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	20	-	-	-	-	20
31st March 2015	**8,061**	**4,675**	**2,235**	**2,287**	**3,405**	**20,663**

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

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

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

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

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

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

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

14. Investment Properties

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

	2014/15	2013/14
	£000	£000
Rental income from investment property	(2,385)	(2,551)
Direct operating expenses arising from investment property	715	1,079
Total	**(1,670)**	**(1,472)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The Council operates a 5-year rolling programme of revaluations except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. Of the fair value of investment property, as measured or disclosed in the financial statements, £14.5m (2013/14 £8.8m) is based on a valuation by an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of the investment property being valued. The Council considers the difference between the market and carrying value, in respect of the remainder of its investment property portfolio, is not material. A sample of the assets have been revalued more regularly due to the Investment review. These assets were identified by the Valuer and had previously fallen within 2012-13 of the Valuation Cycle.

Fixed assets are valued in accordance with the Statement of Accounting Policies and the Practice Statements and Guidance Notes set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

VALUATION CYCLE	**Investment properties £000**
Valued at historical cost	-
Valued at current value	
2014-15	14,453
2013-14	6,261
2012-13	329
2011-12	10,055
2010-11	4,668
Total	**35,766**

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

	2014/15	2013/14
	£000	£000
Balance at start of the year	35,549	36,228
Additions:		
Purchases	55	732
Disposals	(762)	(1,007)
Net gains / (losses) from fair value adjustments	(151)	(317)
Transfers (to) / from Property, Plant & Equipment	1,075	(87)
Balance at end of year	**35,766**	**35,549**

15. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £193,919 charged to revenue in 2014/15, £89,770 was charged in respect of the telephony system to the Customer Contact cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. Of the remaining £104,150, £98,499 related to software and £5,651 related to a Private Sector Housing Needs survey.

£50,868 was charged to the Housing Revenue Account, £53,282 to the General Fund

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

	2014/15	2013/14
	£000	**£000**
Balance at the start of the year		
· Net carrying amount	910	838
· Additions	132	221
Amortisation for the period	(194)	(150)
Net Carrying amounts at the end of the year	**848**	**909**
Comprising:		
· Gross carrying amount	1,304	1,171
· Accumulated amortisation	(456)	(262)
	848	**909**

16. Financial Instruments

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

	Long Term		Current	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	£000	£000	£000	£000
Financial Liabilities (principle amount)	224,490	224,490	-	-
Accrued interest	-	-	1,300	1,300
Other accounting adjustments	290	292	-	-
Financial liabilities at amortised cost	224,780	224,782	1,300	1,300
Total Borrowings	**224,780**	**224,782**	**1,300**	**1,300**
Finance lease liabilities	1,274	1,355	80	76
PFI	-	-	-	-
Other long term liabilities	**1,274**	**1,355**	**80**	**76**
Financial liabilities carried at contract amount	-	-	17,527	19,129
Total creditors	**226,054**	**226,137**	**18,907**	**20,505**
Loans and receivables	3,000	3,000	48,000	41,500
Accrued interest	51	-	326	182
Total Loans and receivables (principle amount)	3,051	3,000	48,326	41,682
Unquoted equity investment at cost	824	824	-	-
Loans & receivables at amortised costs	3,875	3,824	48,326	41,682
NPT,HIL & DHL	2,667	2,679	-	-
Finance Leases	1,424	1,446	26	29
Total Investments	**7,966**	**7,949**	**48,352**	**41,711**
Financial assets carried at contract amounts	-	-	4,902	5,138
Total Debtors	**7,966**	**7,949**	**53,254**	**46,849**
Soft Loans Provided	**3,219**	**3,216**		

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

The movement of £(12.5)m in long term and £23.0m in short term loans and receivables is due to increased money available to invest as a result of asset sales and retention of social housing rents.

The Council has made a number of loans to residents in respect of decent home loans and home improvement loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £3.219m. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed decent home loans information is as follows:

Decent Home Loans	**31-Mar-15**	**31-Mar-14**
	£000	**£000**
Opening Balance	2,549	2,636
Fair value adjustment	12	17
Loans repaid	(62)	(101)
Debts written off	-	(3)
Balance carried forward	**2,499**	**2,549**
Nominal value carried forward	**3,023**	**3,085**

The home improvement loans total £196k.

Valuation Assumptions

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

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

	2014/15			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Assets & Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	10,128	-	-	10,128
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	10,128	-	-	10,128
Interest Income	-	(717)	-	(717)
Increases in fair value				-
Total income in Surplus or Deficit on the Provision of Services	-	(717)	-	(717)
Net gain/(loss) for the year	10,128	(717)	-	9,411

	2013/14			
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Assets & Liabilities at Fair Value through Profit & Loss	Total
	£000	£000	£000	£000
Interest expense	10,068	-	-	10,068
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	10,068	-	-	10,068
Interest Income	-	(1,336)	-	(1,336)
Increases in fair value	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,336)	-	(1,336)
Net gain/(loss) for the year	10,068	(1,336)	-	8,732

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

Fair Values of Assets and Liabilities

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

- estimated interest rates at 31 March 2014 of 7.63% for loans from the PWLB, 4.5% as an effective interest rate for a stepped loan, 5.97% and 6.03% for money market loans
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

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

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

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

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

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

The fair values of liabilities calculated are as follows:

	31-Mar-15		**31-Mar-14**	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	**£000**	**£000**	**£000**
Financial Liabilities	194,773	250,492	245,286	274,494
Long term creditors	1,274	1,274	1,355	1,355
Total Liabilities	**196,047**	**251,766**	**246,641**	**275,849**

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

	Debt at 31-Mar-14	**Reclassifications**	**Fair Value discount unwind**	**Debt at 31-Mar-15**
	£000	**£000**	**£000**	**£000**
PWLB	218,917	-	-	218,917
UK Banks	5,290	-	(1)	5,289
Other Financial Intermediaries	462	-	-	462
Local Government	1	-	-	1
Household Sector	111	(63)	-	48
European Investment Bank	-	-	-	-
Total	**224,781**	**(63)**	**(1)**	**224,717**

The fair values of assets calculated are as follows:	31-Mar-15		31-Mar-14	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	**£000**	**£000**	**£000**
Loans & Receivables	56,726	57,194	50,462	50,742
Long Term Debtors	4,674	4,117	4,713	4,154
Total Assets	**61,400**	**61,311**	**55,175**	**54,896**

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

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

Nature & Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 19 February 2013 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2013/14 was set at £265.8m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £225.8m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

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

Credit risk

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

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

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

The full Treasury Management Strategy for 2015/16 was approved by Full Council on 4th February 2015 and is available on the Council's website.
http://www.norwich.gov.uk/YourCouncil/Finance/Pages/BudgetAccountsAndAudit.aspx

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

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

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

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	**£000**	**£000**
	31 March 2015	31 March 2015	31 March 2015	31 March 2014
Customers	2,411	12%	289	159

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

The Council does not generally allow credit for its customers, such that £1.204m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

		31 March 2015	31 March 2014
		£000	£000
Less than three months		537	520
Three to six months		89	118
Six months to one year		94	322
More than one year		694	244
Total		**1,414**	**1,204**

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total debt where there are legal charges at 31 March 2015 was £157,210 (31 March 2014 £231,198).

Liquidity risk

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

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

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

		2014/15	2013/14
		£000	£000
Repayable between:			
Less than one year		48,000	41,500
Between 1 & 2 years		3,000	3,000
		51,000	**44,500**

Refinancing & Maturity Risk

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

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

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

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

		Approved	Approved	Actual	Actual
		Minimum	Maximum	31 March 2015	31 March 2014
		Limit	Limit	£000	£000
Less than 1 year		0%	10%	6,360	1,300
Between 1 & 2 years		0%	10%	5,750	5,060
Between 2 & 5 years		0%	30%	14,000	17,750
Between 5 & 10 years		0%	50%	59,959	59,459
More than 10 years		0%	95%	139,438	141,940
				225,507	**225,509**
Perpetually					
irredeemable Loan		0%	10%	573	573
Stock					
				226,080	**226,082**

Market risk

Interest rate risk

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

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

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

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

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

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

	£000s
Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	-
Increase in interest receivable on variable rate investments	756
Impact on Surplus or Deficit on Provision of Services	756
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income & expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	23,433

The impact of a 1% fall in interest rates on interest receivable would be £(555) – where the fall of 1% would take the interest lower than zero, this interest received has been taken as zero. The impact of a 1% fall in interest rates on the fair value of fixed rate borrowing liabilities would be as above, but with the movement being reversed.

Indemnity

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

Price risk

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

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

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

Foreign exchange risk

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

17. Long Term Investments

		2014/15	2013/14
		£000	£000
Banks		3,051	-
Local Authorities		23	3,000
Norwich Airport Ltd		824	824
Other Related Companies		18	18
		3,916	**3,842**

The reduction in the long term investments in local authorities is due to a transfer from long term investments to short term investments as the maturity of these investments will occur during the financial year 2015/16.

Banks and Local Authorities
Investments of £3m that are for periods longer than one year are included as long term investments on the balance sheet. These will mature in September 2015.

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

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

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

18. Long Term Debtors

	2014/15			2013/14
	Debtors	Provision for Bad Debt	Net Debtors	Net Debtors
	£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	3	-	**3**	5
Norfolk County Council Transferred Debt	868	-	**868**	881
Deferred Capital Receipt Sale of Airport Shares	400	-	**400**	400
Deferred Capital Receipt – Livestock Market	593	-	**593**	553
Decent Home Loans	2,499	-	**2,499**	2,550
Finance Lease > 1 year	1,424	-	**1,424**	1,446
Home Improvement Loans	162	-	**162**	108
Local Authority Mortgage Scheme	1,000	-	**1,000**	1,000
Housing Benefit Overpayments	5,250	(3,223)	**2,027**	1,443
Shared Equity	181	-	**181**	173
SALIX	262	-	**262**	226
Legal	157	-	**157**	231
Other Long Term Debtors	208	-	**208**	137
	13,007	**(3,223)**	**9,784**	**9,153**

Long Term Debtors consist of:

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

19. Short Term Investments

Short term investments represent temporary lending of surplus monies to other local authorities and major financial institutions. The amounts invested at 31 March were as follows:

		2014/15	2013/14
		£000	**£000**
Banks		15,071	35,410
Building Societies		30,252	7,020
Local Authority		5,000	-
Total Short Term Investments		**50,323**	**42,430**

20. Assets Held for Sale

		Current	
		2014/15	**2013/14**
		£000	**£000**
Balance outstanding at start of year		**1,392**	**1,880**
Assets newly classified as held for sale:			
Property, Plant & Equipment		1,253	1,129
Assets declassified as held for sale:			
Property, Plant & Equipment		(65)	(510)
Asset disposals		(2,430)	(1,107)
Other movements		-	-
Balance outstanding at year-end		**150**	**1,392**

Included in the Asset disposals figure in the table above is a donation of 4 acres of land, valued at £1m, to Norse Care (a subsidiary of Norfolk County Council) to facilitate the building of a Housing with Care and Dementia Unit, this was approved by Cabinet 14 January 2013

21. Short Term Debtors

		2014/15	2013/14
		£000	**£000**
Central Government Bodies		2,833	2,589
Other entities & individuals		8,391	6,078
Other Local Authorities		1,441	1,465
National Health Bodies		-	100
Total Short Term Debtors		**12,665**	**10,232**

22. Cash & Cash Equivalents

		2014/15	2013/14
		£000	**£000**
Cash held by Council		26	24
Bank current accounts		(973)	492
Short term deposits with banks		10,000	10,000
Short term deposits with building societies		4,250	9,500
Total Cash & Cash Equivalents		**13,303**	**20,016**

23. Short Term Creditors

	2014/15	2013/14
	£000	£000
Central Government Bodies	3,012	1,060
Other Local Authorities	9,006	9,114
Other entities & individuals	12,430	14,905
National Health Bodies	9	10
Total Short Term Creditors	**24,457**	**25,089**

24. Long Term Creditors

	2014/15	2013/14
	£000	£000
Developer Contributions	1,855	1,951
Lease Liability	1,273	1,354
Rent Prepayments	300	350
SALIX	83	70
Total Long Term Creditors	**3,511**	**3,725**

25. Provisions

	2014/15	2013/14
	£000	£000
Balance at 1 April 2014	346	-
Additional provisions	227	346
Balance at 31 March 2015	574	346

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

26. Usable Reserves

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

27. Unusable Reserves

		2014/15	2013/14
		£000	£000
Revaluation Reserve		50,749	48,497
Capital Adjustment Account		553,490	541,088
Financial Instruments Adjustments Account		(1,078)	(1,166)
Deferred Capital Receipts		2,068	2,119
Pensions Reserve		(146,997)	(134,895)
Collection Fund Adjustment Account		(734)	(79)
Total Unusable Reserves		**457,498**	**455,564**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date at which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2014/15		2013/14
	£000	£000	£000
Balance at 1 April		**48,497**	**46,769**
Upward revaluation of assets	4,328		2,511
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(173)		-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**4,155**	**2,511**
Difference between fair value depreciation & historical cost depreciation	(611)		(1,020)
Other amount written off to Capital Adjustment Account	-		-
Accumulated gains on assets sold or scrapped	(1,293)		(225)
Amount written off to the Capital Adjustment Account		**(1,904)**	**(1,245)**
Other movements		-	464
Balance at 31 March		**50,748**	**48,499**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2014/15		2013/14
	£000	£000	£000
Balance at 1 April		**541,088**	**522,872**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(18,543)		(18,449)
Revaluation losses on Property, Plant & Equipment	3,665		12,464
Revenue expenditure funded from capital under statute	(3,053)		(1,748)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(10,149)		(9,509)
Difference between historic cost & carrying value depreciation	611		1,020
Net written out amount of the cost of non-current assets consumed in the year		**(27,469)**	**(16,222)**
Adjusting amounts written out of the Revaluation Reserve		1,293	225
Net written out amount of the cost of non-current assets consumed in the year		**(26,176)**	**(15,997)**
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	4,342		3,541
Use of the Major Repairs Reserve to finance new capital expenditure	12,653		11,896
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,315		1,166
Application of grants to capital financing from the Capital Grants Unapplied Account	2,462		1,158
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	1,094		1,105
Capital expenditure charged against the General Fund & HRA balances	16,958		15,923
		38,824	**34,789**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(182)	(317)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-	306
HRA Self Financing Debt		-	-
Other		(64)	(565)
Balance at 31 March		**553,490**	**541,088**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 15 years.

	2014/15	2013/14
	£000	£000
Financial Instruments Adjustment Account		
Balance at 1 April	**1,166**	**1,243**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(76)	(76)
	1,090	**1,167**
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(12)	(1)
Balance at 31 March	**1,078**	**1,166**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2014/15	2013/14
	£000	£000
Balance at 1 April	**2,119**	**2,139**
Transfer to the Capital Receipts Reserve upon receipt of cash	(51)	(20)
Balance at 31 March	**2,068**	**2,119**

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.

	2014/15	2013/14
	£000	£000
Balance at 1 April	**(134,895)**	**(136,209)**
Actuarial gains or (losses) on pensions assets & liabilities	(8,222)	5,702
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	(9,749)	(10,470)
Employer's pensions contributions & direct payments to pensioners payable in the year	5,095	4,950
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	774	1,132
Balance at 31 March	**(146,997)**	**(134,895)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2014/15	2013/14
	£000	£000
Balance at 1 April	(79)	347
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	210	80
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	(865)	(506)
Balance at 31 March	**(734)**	**(79)**

28. Cash Flow Statement – Operating Activities

The adjustment to surplus or deficit on the provision of services for noncash movements is comprised of:

	2014/15	2013/14
	£000	£000
Depreciation	16,492	16,229
Amortisation	194	150
Impairment and revaluations	(1,417)	(9,273)
Reductions in the fair value of soft loans (non Subsidiary) made in the year	85	134
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	(135)	(129)
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	(807)	897
Increase/(Decrease) in Interest Creditors	-	6
Increase/(Decrease) in Creditors	(2,822)	5,451
(Increase)/Decrease in Interest Debtors	534	(259)
(Increase)/Decrease in Debtors	(1,956)	804
(Increase)/Decrease in Inventories	-	5
(Decrease)/Increase in Pension Liability	3,879	4,389
Contributions to Provisions	227	346
Carrying amount of non-current assets sold	10,149	9,509
Movement in Investment Property values	151	317
	24,574	**28,576**

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

	2014/15	2013/14
	£000	£000
Capital grants credited to surplus or deficit on the provision of services	(1,315)	(1,292)
Proceeds from the sale of property, plant and equipment and investment properties	(10,555)	(9,222)
	(11,870)	**(10,514)**

The cash flows for operating activities include the following items:

	2014/15	2013/14
	£000	£000
Interest received	(1,113)	(769)
Interest paid	9,803	9,915
	8,690	**9,146**

29. Cash Flow Statement – Investing Activities

	2014/15	2013/14
	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(33,885)	(32,276)
Other Capital Payments	-	(1,000)
Purchase of short term & long-term investments	(55,000)	(88,860)
Other payments for investing activities	(113)	(64)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	10,555	9,222
Other Capital Cash Receipts	65	503
Capital grants received	1,259	651
Proceeds from short term & long-term investments	46,500	87,860
Net cash flows from investing activities	**(30,619)**	**(23,964)**

30. Cash Flow Statement – Financing Activities

	2014/15	2013/14
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	3	(84)
Other receipts /(payments) for financing activities	1,123	(372)
Net cash flows from financing activities	**1,126**	**(456)**

31. Amounts Reported for Resource Allocation Disclosure

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's directorates for the year is as follows:

Directorate Income & Expenditure 2014/15	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	HRA (to be included with SPN)	Reg & Development	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(45)	(2,549)	(886)	(7,178)	(72,108)	(12,792)	-	(95,558)
Income from Council Tax / Business rates	-	(12,301)	-	-	-	-	-	(12,301)
Government Grants	-	(76,196)	(252)	(928)	(408)	(3,834)	-	(81,618)
Total Income	**(45)**	**(91,046)**	**(1,138)**	**(8,106)**	**(72,516)**	**(16,626)**	**-**	**(189,477)**
Employment expenses	158	809	3,538	4,866	5,619	(1,741)	-	13,249
Operational Expenses	28	74,469	2,388	16,250	66,157	12,700	-	171,992
Support Service recharges	(142)	(421)	(2,730)	1,309	5,690	4,177	-	7,883
Total Expenditure	**44**	**74,857**	**3,196**	**22,425**	**77,466**	**15,136**	**-**	**193,124**
Net (Income) / Expenditure	**(1)**	**(16,189)**	**2,058**	**14,319**	**4,950**	**(1,490)**	**-**	**3,647**

Directorate Income & Expenditure 2013/14 (RESTATED)	Chief Executive	Business Relationship Management	Customers, Communication & Culture	Strategy, People & Democracy	HRA (to be included with SPN)	Reg & Development	Not Reported	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-	(1,877)	(628)	(7,326)	(72,106)	(11,499)	-	(93,436)
Income from Council Tax / Business rates	-	(12,301)	-	-	-	-	-	(12,301)
Government Grants	-	(78,723)	(121)	(1,355)	(1,102)	(3,424)	-	(84,725)
Total Income	**-**	**(92,901)**	**(749)**	**(8,681)**	**(73,208)**	**(14,923)**	**-**	**(190,462)**
Employment expenses	172	906	3,472	5,215	5,541	(3,400)	-	11,906
Operational Expenses	48	70,126	4,121	17,809	37,112	39,644	-	168,860
Support Service recharges	(220)	837	(2,888)	1,702	5,822	3,984	-	9,237
Total Expenditure	**-**	**71,869**	**4,705**	**24,726**	**48,475**	**40,228**	**-**	**190,003**
Net (Income) / Expenditure	**-**	**(21,032)**	**3,956**	**16,045**	**(24,733)**	**25,305**	**-**	**(459)**

Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

						2014/15	2013/14
						£000	£000
Net expenditure in the Directorate Analysis						3,649	(460)
Net expenditure of services & support services not included in the Analysis						(648)	(6,700)
Expenditure Statement						(648)	(6,700)
Cost of Services in Comprehensive Income & Expenditure Statement						**3,001**	**(7,160)**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	**Directorate Analysis**	**Net Expenditure of services and support services not included in the Analysis**	**Amounts not reported to management for decision making**	**Reallocation analysis**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(95,559)	4,009	-	-	**(91,550)**	(4,009)	**(95,559)**
Interest & investment income	-	-	-	(10,327)	**(10,327)**	-	**(10,327)**
Income from Council Tax / Business rates	(12,301)	12,301	-	-	**-**	(12,301)	**(12,301)**
Government Grants & contributions	(81,618)	14,634	-	-	**(66,984)**	(14,634)	**(81,618)**
Total Income	**(189,478)**	**30,944**	**-**	**(10,327)**	**(168,861)**	**(30,944)**	**(199,805)**
Employment expenses	13,250	(1,005)	-	-	**12,245**	1,005	**13,250**
Other service charges	171,994	(30,209)	-	(31,026)	**110,759**	16,484	**127,243**
Support Service recharges	7,883	(109)	-	-	**7,774**	109	**7,883**
Depreciation, amortisation & impairment	-	-	-	15,279	**15,279**	-	**15,279**
Interest Payments	-	-	-	25,318	**25,318**	-	**25,318**
Precepts & Levies	-	-	-	206	**206**	-	**206**
Payments to Housing Capital Receipts Pool	-	-	-	976	**976**	-	**976**
Gain or Loss on Disposal of Fixed Assets	-	-	-	(426)	**(426)**	-	**(426)**
Total Expenditure	**193,127**	**(31,323)**	**-**	**10,327**	**172,131**	**17,598**	**189,729**
(Surplus) / deficit on the provision of services	**3,649**	**(379)**	**-**	**-**	**3,270**	**(13,346)**	**(10,076)**

2013/14 Comparatives	Directorate Analysis	Net Expenditure of services and support services not included in the Analysis	Amounts not reported to management for decision making	Reallocation analysis	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(93,437)	3,085	-	-	**(90,352)**	(3,085)	**(93,437)**
Interest & investment income	-	-	-	(12,428)	**(12,428)**	-	**(12,428)**
Income from Council tax	(12,301)	12,301	-	-	**-**	(12,301)	**(12,301)**
Government Grants & contributions	(84,724)	15,543	-	-	**(69,181)**	(15,543)	**(84,724)**
Total Income	**(190,462)**	**30,929**	**-**	**(12,428)**	**(171,961)**	**(30,929)**	**(202,890)**
Employment expenses	11,907	88	-	-	**11,995**	(88)	**11,907**
Other service charges	170,482	(37,595)	-	(23,785)	**109,102**	18,039	**127,141**
Support Service recharges	7,613	(121)	-	-	**7,492**	121	**7,613**
Depreciation, amortisation & impairment	-	-	-	7,272	**7,272**	-	**7,272**
Interest Payments	-	-	-	27,522	**27,522**	-	**27,522**
Precepts & Levies	-	-	-	197	**197**	-	**197**
Payments to Housing Capital Receipts Pool	-	-	-	935	**935**	-	**935**
Gain or Loss on Disposal of Non-current Assets	-	-	-	287	**287**	-	**287**
Total Expenditure	**190,002**	**(37,628)**	**-**	**12,428**	**164,802**	**18,072**	**182,874**
(Surplus) / deficit on the provision of services	**(460)**	**(6,699)**	**-**	**-**	**(7,159)**	**(12,857)**	**(20,016)**

32. Trading Operations

The Council manages various trading operations, financial results for which were as follows:

	2014/15			2013/14
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Car Parks	2,562	(5,192)	(2,630)	(3,638)
Industrial Estates	198	(608)	(410)	(361)
Corporate Estates	1,683	(3,008)	(1,325)	(1,937)
Civic Halls	452	(194)	258	315
Markets	666	(716)	(50)	103
Yacht Station	13	(3)	10	3
Net (Surplus) / Deficit	**5,574**	**(9,721)**	**(4,147)**	**(5,515)**

Other than for Markets, the income and expenditure of the remaining Trading Operations for 2014/15 and 2013/14 have been consolidated within the Net Cost of Services in accordance with SerCOP. Income and expenditure of the markets are within Other Operating Expenditure.

Reported Corporate Estates expenditure has increased by £1.1m, mainly due to the Grant of land at Bowthorpe to Norse Care to facilitate the building of Housing with Care facility and a Dementia unit. Car Parks income has decreased by £0.9m mainly due to a non-recurrent settlement during 13/14 for St. Andrews Car Park.

33. 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 46. The results of these associates have not been incorporated in the Council's accounts on the grounds of immateriality; therefore results of the associates are detailed in the table below of which Norwich City Council's share is 50%

		NPS Norwich Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
		2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
		£000	£000	£000	£000	£000	£000
Profit & Loss Account							
Operating Profit		238	106	113	89	2	-
Interest Receivable		3	3	-	-	-	-
Profit on Ordinary Activities before Corporation Tax		**241**	**109**	**113**	**89**	**2**	**-**
Corporation Tax		-	-	(24)	(22)	(1)	-
Retained Profit for the financial year		**241**	**109**	**89**	**67**	**1**	**-**
Balance Sheet							
Profit & Loss b/f		**136**	**27**	**67**	**-**	**-**	**-**
Profit & Loss for the financial year		241	109	89	67	1	-

34. Agency Services

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

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2014/15 and 2013/14 are as follows:-

Highways	**2014/15**	**2013/14**
	£000	**£000**
Expenditure	1,045	1,084
Income	(912)	(1,035)
(Surplus) paid over to Norfolk County Council/ Deficit reimbursed to Norwich City Council	**133**	**49**

On-Street Car parking	**2014/15**	**2013/14**
	£000	**£000**
Expenditure	1,168	1,163
Income	(1,281)	(1,292)
(Surplus) paid over to Norfolk County Council	**(113)**	**(129)**

The non-agency elements of the Norwich Highways Joint Committee are not material.

The Council's interest in the Norfolk Joint Museums and Archaeology Committee, the Norfolk Joint Records Committee and the CNC Building Control Consultancy Joint Committee (Building Control Partnership) are not material.

On 1st November 2012 Norwich Business Improvement District was launched. A Business Improvement District (BID) is a defined area within which businesses pay an additional tax or fee in order to fund projects within the district's boundaries. The council acts as agent for Norwich BID by billing and collecting the additional tax.

	2014/15	**2013/14**
	£000	**£000**
Billed	634	650
Collected	480	524
Paid over to Norwich BID	366	378

35. Members' Allowances

The total of members' allowances paid in the year was £344,142 (2013/14 £334,053) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.

36. Officers Remuneration

Post Holder	Salary (incl Fees & allowances)	Expenses	Compensation for loss of office	Total Remuneration (excl Pension contributions)	Pension Contributions	Total Remuneration (incl Pension contributions)
			2014/15			
	£	£	£	£	£	£
Chief Executive Officer	129,699	-	-	129,699	18,806	148,505
Executive Head of Service for Regeneration & Development **	19,266	-	-	19,266	2,626	21,892
Executive Head of Service for Communications, Customer & Cultural Services	78,730	-	-	78,730	11,416	90,146
Executive Head of Service for Strategy, People & Neighbourhoods	80,805	-	-	80,805	11,717	92,522
Head of Service for Business Relationship Management & Democracy	75,624	-	-	75,624	10,940	86,564
Deputy Chief Executive *	39,441	-	-	39,441	7,092	46,533
TOTAL	**423,565**	**-**	**-**	**423,565**	**62,597**	**486,162**

* Deputy Chief Executive retired on 1/9/2014

** Executive Head of Service for Regeneration & Development started on 6/1/2015

			2013/14			
Post Holder	**Salary (incl Fees & allowances)**	**Expenses**	**Compensation for loss of office**	**Total Remuneration (excl Pension contributions)**	**Pension Contributions**	**Total Remuneration (incl Pension contributions)**
	£	**£**	**£**	**£**	**£**	**£**
Chief Executive Officer	129,911	-	-	129,911	18,806	148,717
Deputy Chief Executive	104,133	-	-	104,133	13,725	117,858
Head of Communications & Cultural Services	78,338	-	-	78,338	11,359	89,697
Head of Strategy & Programme Management	71,810	-	-	71,810	10,412	82,222
Exec Head of Service Business Relationship Mgr.	71,810	-	-	71,810	10,412	82,222
Head of Law and Guidance +	40,502	-	11,899	52,401	6,939	59,340
	496,504	**-**	**11,899**	**508,403**	**71,653**	**580,056**

+ Head of Law and Guidance – Left Norwich City Council in January 2014 due to redundancy

Senior officer’s remuneration disclosed on the tables above is included in the bandings in the table below.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band		2014/15	2013/14
£50,000 to £54,999		5	6
£55,000 to £59,999		1	1
£60,000 to £64,999		7	7
£65,000 to £69,999		-	-
£70,000 to £74,999		-	2
£75,000 to £79,999		2	1
£80,000 to £84,999		1	-
£90,000 to £94,999		-	-
£100,000 to £104,999		-	1
£125,000 to £129,999		1	1
£135,000 to £139,999			
		17	**19**

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:-

Exit package cost band (including special payments)		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		-	1	1	5,396
Total		**0**	**1**	**1**	**5,396**

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		-	2	2	13,025
Total		**0**	**2**	**2**	**13,025**

37. 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 2014/15 and 2013/14 the following fees were payable by the Council to our external auditors.

	2014/15		2013/14
	£000		£000
			restated
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor	107		107
Fees payable to the External Auditors for the certification of grant claims & returns	38		50
Fee payable to the External Auditors in respect of other services provided	-		12
Total	**145**		**169**

The fees for other services payable in 2013/14 relate to the auditor's consideration of correspondence from the public and formal objections and are charged in addition to the scale fee.

38. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15	2013/14
	£000	**£000**
Credited to Taxation & Non-Specific Grant Income		Restated
Revenue Support Grant	(5,981)	(7,861)
Local Strategic Partnership - Second Homes	(140)	(84)
New Homes Bonus	(2,056)	(1,658)
NNDR Administration Grant	(271)	(269)
Small Business Rate Relief Grant	(1,115)	(564)
Other Grants (Non Capital)	(119)	(124)
Sub-Total inc NNDR	**(9,682)**	**(10,560)**
Capital Grants & Contributions		
DfT Cycle Ambition Grant	(2,612)	(1,112)
Home and Communities Agency	(720)	(248)
Community Infrastructure Levy (Funding from developers)	(208)	(71)
Community Infrastructure Levy (Funding from GNGB Strategic Pool)	(161)	-
St Andrews MSCP Settlement	-	(1,100)
Disabled Facilities Grant	(408)	(469)
Capital Grant Income (from Government bodies)	(291)	(709)
Capital Grants & contribution income (from non Government)	(499)	(907)
Sub Total	**(4,899)**	**(4,616)**
Capital Grants & Contributions(REFCUS expenditure)		
Sustrans	-	(32)
Capital Grants & contribution income (from Government Bodies)	(20)	-
Capital Grants & contribution income (from non Government)	(32)	(29)
Sub Total	**(52)**	**(61)**
Donated Assets	-	(306)
Sub Total	**-**	**(306)**
Total	**(14,633)**	**(15,543)**
Credited to Services		
Rent Allowance Subsidy	(28,073)	(28,481)
Rent Rebate Subsidy	(35,182)	(36,654)
Discretionary Housing Payments	(411)	(222)
Housing Benefit Administration Grant	(1,024)	(1,294)
PFI Grant	(1,429)	(1,429)
Home and Communities Agency	(60)	(84)
Big Lottery Fund	(50)	(99)
Supporting People	(185)	(567)
Other Revenue Grants & Contributions (from Government)	(831)	(404)
Other Non Govt revenue grants and contributions	(10)	(19)
Sub Total	**(67,255)**	**(69,181)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2014/15	2013/14
CURRENT LIABILITIES	**2014/15**	**2013/14**
	£000	**£000**
Grants Receipts in Advance (Capital Grants)		
Home and Communities Agency Capital Grant	(994)	(1,648)
DECC Green Deal Community Fund	(416)	-
Developers Contributions (S.106)	(425)	(592)
Total	**(1,835)**	**(2,240)**
Grants Receipts in Advance (Revenue Grants)		
Home and Communities Agency	(59)	(119)
Other Government Grants & Contributions	(597)	(632)
Other Non Government Grants & Contributions	(136)	(260)
LEGI Re Guildhall	(50)	(50)
SALIX	(38)	(43)
Developers Contributions (S.106)	(186)	(170)
Total	**(1,066)**	**(1,274)**
LONG TERM LIABILITIES		
	£000	**£000**
Grants Receipts in Advance (Capital Grants)		
Other Government Grants & Contributions	(28)	(28)
Developers Contributions (S.106)	(823)	(413)
Other Non-Government Grants & Contributions	(47)	(52)
Total	**(898)**	**(493)**
Grants Receipts in Advance (Revenue Grants)		
Local Enterprise Growth Initiative re Guildhall	(300)	(350)
SALIX	(83)	(70)
Developers Contributions (S.106)	(1,855)	(1,951)

The council continues to collect a Community Infrastructure Levy in accordance with a charging schedule adopted on the 25th June 2013.

The contributions collected from developments liable to pay the levy are designated to fund both the infrastructure required to support the planned growth in housing and jobs across the Greater Norwich area and improvements to address the demands that development places on local neighbourhoods within the city.

Section 106 agreements and planning conditions will also continue to be used for local infrastructure requirements on development sites, such as site specific local provision of open space, access roads and affordable housing.

39. Capital Expenditure & Capital Financing

			2014/15	2013/14
			£000	**£000**
Opening Capital Financing Requirement 1st April			235,976	237,864
Property, Plant & Equipment			29,963	27,866
Assets under Construction			4,458	2,493
Investment Property			55	732
Heritage Assets			-	26
Intangible Assets			132	221
Decent Home Loans granted net of repaid			1	(38)
Local Authority Mortgage Scheme			-	1,000
Municipal Bond Agency Investment			50	-
Revenue Expenditure Funded from Capital Under Statute			3,053	1,748
			273,688	**271,912**
Sources of Finance				
Capital Receipts			(4,342)	(3,542)
Government Grants & Other Contributions			(3,777)	(2,324)
Housing Revenue Account Major Repairs Allowance			(12,653)	(11,896)
Revenue Contributions & Minimum Revenue Provision *			(18,049)	(17,028)
			234,867	**237,122**
HRA non-dwelling depreciation, revaluation & impairments			(414)	(1,146)
			234,453	**235,976**
Increase (decrease) in underlying need to borrow (unsupported by government financial assistance)			(1,523)	(1,888)

Each local Council has a borrowing limit determined by the level of debt which it can afford. The system is governed by CIPFA’s ‘Prudential Code for Capital Finance in Local Authorities’ and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

* The Minimum Revenue Provision 2014/15 is £1,091m (2013/14 £1.052m) and this represents a provision against the Council’s underlying debt that has been acquired to finance capital expenditure.

40. 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-15		31-Mar-14	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	182	1,653	163	1,712
Later than one year & not later than five years	* 368	1,971	296	2,432
Total	**550**	**3,624**	**459**	**4,144**

* based on Pool Car contract extension to October 2017

The expenditure charged to the Housing Revenue Account, Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2,287,157 (2013/14 £2,411,298)

	2014/15	2013/14
	£000	£000
Sublease payments receivable	2,236	2,322
Total	**2,236**	**2,322**

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 £1,112,670 (2013/2014 £1,205,394)

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.

	2014/15	2013/14
Finance Lease Liabilities	£000	£000
Current	81	76
Non-Current	1,274	1,355
Financing Costs payable in future years	743	829
Minimum Lease Payments	**2,098**	**2,260**

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

	2014/15	2013/14
	£000	£000
Future Rental Liabilities		
No later than one year	161	161
Later than one year & not later than 5 years	646	646
Over 5 years	1,130	1,291
Total	**1,937**	**2,098**

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:

	2014/15	2013/14
	£000	£000
Tenants Future Rental Liabilities		
Not later than one year	3,619	3,367
Later than one year & not later than five years	11,507	11,028
Over five years	66,322	66,255
Total	**81,448**	**80,650**

In addition to the above, there are 101 properties (145 in 2013/14) where the rent is in perpetuity that amounts annually to £237,585 per annum (2013/14 £223,167).
The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

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

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

	2014/15	2013/14
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	26	29
Non-current	1,424	1,333
Unearned finance income	2,097	2,263
Unguaranteed residual value of property	112	112
Gross investment in the leases	**3,659**	**3,737**

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-15	31-Mar-14	31-Mar-15	31-Mar-14
	£000	£000	£000	£000
Future Rental Liabilities				
Not later then one year	48	51	48	51
Later than one year & not later than five years	219	238	218	238
Later than five years	3,393	3,449	3,281	3,337
Total	**3,660**	**3,738**	**3,547**	**3,626**

41. Impairment Losses

During the year the Council carried out adaptations at a cost of £826,708 (2013/14 £1,052,557) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer these adaptations added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below).

The Council carried out works to the bin stores for the council dwellings of £510,435 (2013/14 £681,945). As advised by our valuer these works added no value to the dwellings, therefore this expenditure was impaired as shown in note 12 (combined with the impairments detailed below and above).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £170,131 lift installations £30,967, enhancement to HRA estates £668,374, District Heating schemes £196,265, work benefitting dwellings subsequently sold or the area surrounding dwellings sold under Right to Buy legislation £4,431.

The Council has impaired 6-9 Ninham Court by £102k to nil value as the proposed sale to the trust has fallen through and the asset is in a bad state of repair.

42. Termination Benefits

The Council terminated the contract of an employee in 2014/15, incurring liabilities of £5,396 (2013/14 £13,025). This was payable to 1 (2 in 2013/14) officer who was made redundant as part of the Council’s rationalisation of the Service and includes amounts payable in respect of early retirement to the pension fund.

43. Other Long Term Liabilities

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

	2014/15	2013/14
	£000	£000
Pension Fund Liability	146,997	134,895
Other	89	27
	147,086	134,922

44. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

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

Transactions relating to Retirement Benefits

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

	2014/15		2013/14
	£000		£000
Comprehensive Income & Expenditure Statement			
Cost of Services			
Current service cost	4,255		4,298
(Gain)/loss from settlements	-		84
Financing and Investment Income and expenditure			
Net Interest expense	5,494		6,088
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**9,749**		**10,470**
Other post-employment Benefits charged to the Comprehensive Income and Expenditure Statement			
Return on plan assets (excluding the amount included in the net interest expense)	(22,209)		17,236
Actuarial (Gains) and Losses arising on changes in demographic assumptions	-		6,180
Actuarial (Gains) and Losses arising on changes in financial assumptions	33,294		(3,647)
Other experience	(2,863)		(25,471)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**17,971**		**4,768**
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code and HRA balances for pensions in the year	(9,749)		(10,470)
Total remeasurements recognised in Other Comprhensive Income	**8,222**		**(5,702)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of £123,725m (31 March 2014 loss of £115.503m)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2014/15		2013/14
	£000		£000
Present Value of funded liabilities	(386,696)		(350,999)
Present Value of unfunded liabilities	(22,083)		(20,991)
Fair Value of plan assets	261,772		237,076
Net Liability arisiung from defined benefit obligation	**(147,007)**		**(134,914)**

	2014/15		2013/14
Reconciliation of present value of the scheme liabilities:	**£000**		**£000**
At 1 April	(371,990)		(386,236)
Total service Cost	(4,255)		(4,298)
Interest Cost	(15,064)		(17,180)
Contributions by Members	(1,294)		(1,215)
Remeasurement (gains)/Losses			
- actuarial gains/losses arising from changes in demographic assumptions	-		(6,180)
- actuarial gains/losses arising from changes infinancial assumptions	(33,294)		3,647
- other	2,863		25,471
Benefits Paid	14,255		14,084
Losses/(Gains) on curtailments	-		(84)
At 31 March	**(408,779)**		**(371,991)**

	2014/15		2013/14
Reconciliation of fair value of the scheme assets	**£000**		**£000**
At 1 April	237,076		250,029
Interest Income	9,570		11,092
Remeasurement Gain/(loss) the return on plan assets excluding amount included in net interest expense	22,209		(17,236)
Employer Contributions	4,653		4,854
Contributions by Members	1,294		1,215
Contributions in respect of unfunded benefits	1,225		1,206
Benefits Paid	(13,030)		(12,878)
Unfunded benefits paid	(1,225)		(1,206)
At 31 March	**261,772**		**237,076**

Local Government Pension Scheme assets comprised:

		2014/15				2013/14			
		Quoted Prices in active markets	**Quoted prices not in active markets**	**Total**	**% of total assets**	**Quoted Prices in active markets**	**Quoted prices not in active markets**	**Total**	**% of total assets**
		£000	**£000**	**£000**		**£000**	**£000**	**£000**	
Cash & Cash Equivalents			6,985	6,985	2.7%		6,080	6,080	2.6%
Equity Instruments									
by industry type									
Consumer		11,254		11,254	4.3%	14,403		14,403	6.1%
Manufacturing		13,886		13,886	5.3%	13,210		13,210	5.6%
Energy and Utilities		5,764		5,764	2.2%	7,370		7,370	3.1%
Financial institutions		16,834		16,834	6.4%	14,767		14,767	6.2%
Health and care		8,852		8,852	3.4%	6,737		6,737	2.8%
Information Technology		8,895		8,895	3.4%	4,240		4,240	1.8%
Other		13,267		13,267	5.1%	10,527		10,527	4.4%
Sub-total Equity Instruments		**78,752**		**78,752**		**71,254**		**71,254**	
Private equity			17,216	17,216	6.6%		16,310	16,310	6.9%
Bonds									
by sector									
Corporate		11,012		11,012	4.2%	9,908		9,908	4.2%
Other		285		285	0.1%	837		837	0.4%
Sub-total Bonds		**11,297**		**11,297**		**10,745**		**10,745**	
Property									
by geographical location									
UK property			27,803	27,803	10.6%		23,625	23,625	10.0%
Overseas property			3,192	3,192	1.2%		3,516	3,516	1.5%
Sub-total Property			30,995	30,995			27,141	27,141	
Investment Funds & Unit Trusts									
Equities		105,361		105,361	40.2%	68,569		68,569	28.9%
Bonds		10,841		10,841	4.1%	36,877		36,877	15.6%
Sub-total Investment Funds & Unit Trusts		**116,202**	**-**	**116,202**		**105,447**	**-**	**105,446**	
Derivatives		232		232	0.1%	-		-	0.0%
Other		93		93	0.0%	103		103	0.0%
Total Assets		**206,576**	**55,196**	**261,772**		**187,548**	**49,531**	**236,976**	

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2013.

The principle assumptions used in their calculations have been:

Mortality Assumptions:		2014/15	2013/14
Longevity at 65 for current pensioners			
Men		22.1yrs	22.1yrs
Women		24.3yrs	24.3yrs
Longevity at 65 for future pensioners			
Men		24.5yrs	24.5yrs
Women		26.9yrs	26.9yrs
Rate of inflation		2.10%	2.60%
Rate of increase in salaries		3.00%	3.40%
Rate of increase in pensions		2.10%	2.60%
Rate for discounting scheme liabilities		3.10%	4.10%
Take up of option to convert annual pension into retirement lump			
Pre-April 2008 service		50%	50%
Post-April 2008 service		75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £000
Longevity (increase of 1 year)	12,263
Rate of increase in salaries (increase by 0.5%)	7,105
Rate of increase in pensions (increase by 0.5%)	28,952
Rate for discounting scheme liabilities (decrease by 0.5%)	36,018

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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

The total contribution expected to be made to the scheme by the Council for the year to March 2016 is £4.887m

The weighted average duration of the defined benefit obligation for scheme members is 23.9 years, 2013/14 23.9 years

45. Contingent Assets and Liabilities

Liabilities

Business rates
The council is aware that one of its Business rates hereditaments has put forward a proposal to merge its premises that appears in councils rating lists countrywide into a single national assessment appearing from 1 April 2010 (i.e. the change would take effect from 1 April 2010). The VOA has confirmed that the proposal includes premises and telecommunications and is proposing a single listing forming one hereditament to one council.

The VOA will now need to consider this proposal and has requested supporting evidence from the maker of it. At this stage they are unable to provide anyone with an indication of how long this will take but will keep councils informed as to the progress.

There are 68 councils which have this company's premises within their rating lists; the total rateable value being £72.259m, the maximum rateable value is £6.235m with 3 councils having a rating listing of less than £100k.

The method for deciding which Billing Authority the merged assessment (if that is the outcome) should fall within is covered by the Non Domestic (Miscellaneous Provisions) Regulations 1989 SI 1060. The regulation applies to any unit of property ("relevant property") which by virtue of section 64(1) of the Act comprises separate hereditaments solely by reason of being divided by a boundary between charging authorities. Relevant property shall be treated as one hereditament and as situated throughout any relevant period in the area of the charging authority in whose area is situated that part of the property which would but for this regulation be the hereditament appearing to the relevant valuation officer or officers to have, on the relevant day, the greater or (as the case may be) the greatest rateable value. This authority would effectively have a windfall of the back dated business rates and increased business rates going forward whilst the remaining 67 councils would suffer significant loss.

The increased business rates for the receiving authority could be viewed as 'growth' for which a levy is payable, but the maximum levy would be 50%. The largest authority is in a business rates pool so the pool would be able to keep the growth – this would be a large loss of revenue for the government.

This is a proposal, not an appeal. An appeal is where the ratepayer believes there is an error in the rateable value. The company is not (in this proposal at least, they may have individual appeals lodged) questioning the validity of the rateable value, it is maintaining that the relevant property comprises separate hereditaments solely by reason of being divided by a boundary between charging authorities.

There is no indication as to whether the proposal will be accepted or rejected, therefore the council has decided on disclosure of a contingent liability; if a requirement for a provision be revealed by the review at 2016/17 NNDR1 the impact on the council would be the same as if full provision had been made at 2014/15 year end. This is because the distribution of the 2014/15 surplus/deficit in 2015/16 was estimated in the 2015/16 NNDR1, any variance to be distributed in 2016/17. Should the proposal be accepted the impact for 2015/16 rates income would be £0.249m and the backdated amount would be £1.616m on the Collection Fund of which the council shares would be £0.1m and £0.646m respectively.

Assets

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

46. 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 the subjective analysis in Note 31 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 38, debtors are shown in Note 21 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 2014/15 and 2013/14 is shown in Note 35. During 2014/15, works and services to the value of £84,975 (2013/14 £59,693) were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £318,895 (2013/14 £596,795) and officer working parties a further £6,341 (2013/14 £9,440) as grants to voluntary organisations in which seven members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2014/15, grants totalling £38,835 were made to one organisation (2013/14 £38,696 to one organisation) in which a member of senior management had an interest. The member of senior management did not take part in any discussion, decision, or administration relating to the grants.

During 2014/15, there were no works and services commissioned (2013/14 £700 Voluntary Norfolk, 1 officer) from entities in which officer had interests.

Companies and joint ventures – the council has interests in:

I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.
II. Norwich Norse Environmental Ltd – provides a range of facilities, management and contract services to Norwich and surrounding areas
III. Norwich Norse (Building) Ltd – provides maintenance, repairs and upgrades to housing and non-housing buildings for Norwich City Council.
IV. NPS Norwich Ltd – provides property management services to Norwich City Council

For all the above, the Council has officer and member representatives on the boards of these companies, and relevant information is disclosed in the notes to the accounts about such interests. No amounts of money have been paid to or from the Legislator companies during 2014/15. £5,569,705 (2013/14 £6,050,901) has been spent with Norwich Norse Environmental Ltd, and £11,692,310 (2013/14 NIL) with Norwich Norse Building Ltd during 2014/15 and £4,377,055 (2013/14 £3,787,698) has been spent with NPS Norwich Ltd. Amounts due to Norwich Norse Building Ltd are £1,163,200, Norwich Norse Environmental Ltd are £34,100 and NPS Norwich Ltd are £8,907. Amounts due from Norwich Norse Environmental Ltd are £112,557 and from NPS Norwich Ltd are £116,211.

Several councillors are appointed to represent the Council on various Strategic Partnership boards. During the year there have been a number of transactions with the Strategic Partnerships totalling £299,527 (2013/14 £49,725). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 34; and the Norwich and Homes & Communities Agency Strategic Partnership, with expenditure of £119,293 (2013/14 £202,794). These partnership activities are integrated into the council's usual budget setting and management processes.

47. Heritage Assets: Five Year Summary of Transactions

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountains	Buildings	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
Valuation						
1 April 2010	7,407	3,398	658	2,281	549	14,293
Reclassifications	-	-	-	-	949	949
Additions	-	-	65	-	1,677	1,742
Depreciation	-	-	-	-	(11)	(11)
Revaluations	-	-	-	-	34	34
31 March 2011	7,407	3,398	723	2,281	3,199	17,008
1 April 2011	7,407	3,398	723	2,281	3,199	17,008
Revaluations	-	1,276	1,503	-	163	2,942
31 March 2012	7,407	4,674	2,226	2,281	3,362	19,950
1 April 2012	7,407	4,674	2,226	2,281	3,362	19,951
Revaluations	-	-	8	-	-	8
Additions	-	-	-	6	17	23
Disposals	(18)	-	-	-	-	(18)
31 March 2013	7,389	4,674	2,234	2,287	3,379	19,964
1 April 2013	7,389	4,674	2,234	2,287	3,379	19,964
Revaluations	654	-	-	-	-	654
Additions	-	-	-	-	26	26
Disposals	(2)	-	-	-	-	(2)
31 March 2014	8,041	4,674	2,234	2,287	3,405	20,642
1 April 2014	8,041	4,674	2,234	2,287	3,405	20,642
Revaluations	20	-	-	-	-	20
31 March 2015	8,061	4,674	2,234	2,287	3,405	20,662

Housing Revenue Account Income & Expenditure Statement

	Notes	2014/15	2013/14
		£000	£000
Expenditure			
Repairs & Maintenance		14,940	13,714
Supervision & Management		16,466	16,600
Rents, Rates, Taxes & Other Charges		6,474	6,344
Depreciation & Impairment of Non-current Assets	HRA10&11	15,746	15,672
Local Authority Housing - Revaluation loss (gain) on Dwellings		(4,095)	(15,068)
Debt Management Costs		72	66
Movement in Allowance for Bad Debts		(19)	306
Total Expenditure		49,584	37,634
Income			
Dwelling Rents		58,766	58,612
Non-dwelling Rents		2,178	2,092
Charges for Services & Facilities		3,125	3,231
Contributions towards expenditure		8,203	8,718
Total Income		72,272	72,653
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		**(22,688)**	**(35,019)**
HRA services share of Corporate & Democratic Core		471	380
Net (Income)/Cost of HRA Services		**(22,217)**	**(34,639)**
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(856)	351
Financing & Investment Income & expenditure		9,986	10,109
Taxation & Non-Specific Grant Income		(253)	(555)
(Surplus)/deficit for the year on HRA services		**(13,340)**	**(24,734)**

Movement in Reserves Statement (Housing Revenue Account)

	2014/15	2013/14
	£000	£000
Balance at 1 April	25,129	27,788
Movement in reserves during Year		
Surplus/ (deficit) on provision of services	13,339	24,733
Total Comprehensive Income & Expenditure	**13,339**	**24,733**
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	(18,270)	(27,393)
Net Increase/ Decrease before Transfers to Earmarked Reserves	(4,931)	(2,660)
Transfers to/from Earmarked Reserves (note 8 main accounts)	-	1
Transfers between reserves	(19)	-
Increase/Decrease in Year	(4,950)	(2,659)
Balance at 31 March carried forward	20,179	25,129

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating Income

	2014/15	2013/14
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(856)	351
Total	**(856)**	**351**

2. Financing and Investment Income and Expenditure

	2014/15	2013/14
	£000	£000
Interest payable and similar charges	8,731	8,825
Pension interest cost and expected return on pension assets	1,478	1,608
Interest receivable and similar income	(223)	(324)
Total	**9,986**	**10,109**

3. Taxation and Non-Specific Grant Income

	2014/15	2013/14
	£000	£000
Capital Grants and contributions	(253)	(555)
Total	**(253)**	**(555)**

4. Loan Charges

Under HRA self-financing the Council has adopted a ‘two-pool’ approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £8,646,120 being charged to the HRA in 2014/15 (2013/14 £8,731,393).

5. HRA Council Dwellings

At 31 March 2015 there were 15,303 HRA Council dwellings, of which 953 were sheltered housing units.

	31-Mar-15	31-Mar-14
	Total Stock	**Total Stock**
Parlour houses	315	317
Non-parlour houses	5,321	5,381
Non-traditional houses	651	657
Bungalows	340	341
Cottage properties	227	244
Flats	6,574	6,629
Maisonettes	508	514
Flats in tower blocks	414	416
Sheltered/Good Neighbour housing units	953	987
	15,303	**15,486**
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	**15,486**	**15,640**
Right to Buy sales	(149)	(145)
Other Dwelling Sales	(8)	(9)
Conversions	-	(1)
Demolitions	-	(2)
Appropriation to General Fund	(35)	-
Re-purchase of former RTB Dwelling	1	3
New Build Housing	8	-
Stock as at 31 March	**15,303**	**15,486**

6. Housing Valuation

	31-Mar-15	31-Mar-14
	£000	**£000**
Operational Assets:		
Council Dwellings (HRA)	637,495	626,519
Other Land & Buildings	24,426	23,239
Vehicle, Plant & Equipment	1,113	1,205
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	3,281	2,445
Surplus assets not held for sale	141	143
Sub Total	**668,653**	**655,748**
Assets held for Sale - Current	150	392
Sub Total	**150**	**392**
Intangible Assets	153	203
Sub Total	**153**	**203**
Total	**668,956**	**656,343**

The above figure for Council dwellings (HRA) equates to the value for Council dwellings shown in note 12 to the Core Financial Statements.

As set out in the Statement of Accounting Policies, Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that Local Authority Housing is let at sub-market rents and, in broad terms, is arrived at after applying a regional adjustment factor of 61% (2013/14 61%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 31 March 2015 was £1,602,319,550 (31 March 2014 £1,574,732,330)

7. Major Repairs Reserve

Depreciation charge for the year	(12,653)	(11,892)
Financing of capital expenditure for the year	12,653	11,896
Balance for the year	**-**	**4**
Balance Carried forward	**-**	**-**

8. HRA Capital Expenditure

Opening Capital Financing Requirement 1st April	208,776	211,293
Operational Assets	28,598	26,323
Surplus Assets	-	19
Assets under Construction	2,992	2,210
Appropriation from GF	(1,075)	(1,510)
Reclassification to GF	-	138
	239,291	**238,473**
Sources of Finance		
Capital Receipts	(1,778)	(179)
Government Grants & Other Contributions	(202)	(553)
Major Repairs Allowance	(12,653)	(11,896)
Revenue Contributions	(16,958)	(15,923)
	207,700	**209,922**
HRA Non Dwellings depreciation, revaluation & impairments	(414)	(1,146)
Closing Capital Financing Requirement 31 March	**207,286**	**208,776**

9. HRA Capital Receipts

In 2014/15 total capital receipts from the disposal of HRA assets were:

	2014/15	2013/14
	£000	£000
Land	51	205
Council dwellings	8,825	7,914
Total	**8,876**	**8,119**

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 £13,337k (2013/14 £12,587k)

	2014/15	2013/14
	£000	£000
<u>Operational Assets</u>		
Council dwellings	12,653	11,892
Other land & buildings	540	551
Vehicles, Plant & Equipment	93	93
Intangible Assets	51	51
	13,337	**12,587**

11. Revaluation Losses

During the year there were £2,407,311.79 of impairment costs (2013/14 £3,085,796.79) relating to HRA assets, which are detailed in the tables below.

	2014/15	2013/14
Revaluations	£000	£000
Council Dwellings	(2,233)	(2,675)
Other Property	(174)	(411)
	(2,407)	**(3,086)**
Disabled Facilities adaptations not adding value	(827)	(1,053)
Lift installations not adding value	(31)	(145)
Upgrades to District Heating schemes not adding value	(196)	(90)
Enhancement of HRA estates not adding value	(668)	(257)
Construction of Bin Stores not adding value	(510)	(682)
Impairment due to adverse ground conditions	-	(448)
Other	(175)	(411)
	(2,407)	**(3,086)**

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 2015 were £4.35m (2013/14 £3.93m). The provision for doubtful debts (rents) at 31 March 2015 was £2.45m (2013/14 £2.32m). Amounts written off during the year amounted to £0.37m (2013/14 £0.19m).

The Collection Fund Revenue Account

	31-Mar-15			31-Mar-14
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
INCOME				
Council Tax receivable	-	68,346	68,346	67,481
Business rates receivable	75,898	-	75,898	76,538
Council Tax Reduction Scheme	-	(13,776)	(13,776)	(14,519)
	75,898	**54,570**	**130,468**	**129,500**
EXPENDITURE				
Precepts & Demands:				
Central Government	38,415	-	38,415	37,637
Norfolk County Council	7,683	37,709	45,392	44,711
Norfolk Police Authority	-	6,743	6,743	6,520
Norwich City Council	30,732	7,731	38,463	37,587
Distribution of Estimated Surplus for Previous Years:				
Central Government	(190)	-	-	-
Norfolk County Council	(38)	222	184	427
Norfolk Police Authority	-	39	39	73
Norwich City Council	(152)	45	(107)	84
Charges to Collection Fund				
Costs of Collection	271	-	271	269
Increase/decrease in Bad Debt Provision	(45)	156	111	786
Increase/decrease in Provision for Appeals	568	-	568	866
Write Offs of uncollectable amounts	817	475	1,292	1,287
	78,061	**53,120**	**131,371**	**130,247**
Collection Fund Balance b/fwd at 1 April	(1,264)	2,881	1,617	2,363
Surplus / (Deficit) for the year	(2,164)	1,450	(714)	(746)
Collection Fund Balance c/fwd at 31 March	**(3,428)**	**4,331**	**903**	**1,617**

Notes to the Collection Fund Statement

1. Income from Business Rates

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

The total non-domestic rateable value at 31 March 2015 was £192,718,826 (31 March 2014 £195,522,021). The national non-domestic rate multiplier for 2014/15 was 48.2p in the £ (2013/14 47.1p in the £). The small business multiplier for eligible businesses in 2014/15 was 47.1p in the £ (2013/14 46.2p 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:

		2014/15	2013/14
		£000	£000
Repayable between:			
Less than one year		48,000	41,500
Between 1 & 2 years		3,000	3,000
		51,000	**44,500**

The tax rate per Band D property was £1,584.58 (2013/14 £1,576.13).

3. Council Tax Contribution to Collection Fund Surpluses & Deficits

The Council Tax surplus 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.

		31 March 2015	31 March 2014
		£000	£000
Less than three months		537	520
Three to six months		89	118
Six months to one year		94	322
More than one year		694	244
Total		**1,414**	**1,204**

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.

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	**£000**	**£000**
	31 March 2015	31 March 2015	31 March 2015	31 March 2014
Customers	2,411	12%	289	159

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation
The measure of the cost or revalued amount of the benefits of a fixed asset that have been consumed during the accounting period.

Effective Rate of Interest
The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance at initial measurement.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the Council, and which need to be disclosed separately, by virtue of their size or incidence, such that the financial statements give a true and fair view.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms 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.

Movement in Reserves Statement
This statement precedes the Comprehensive Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the General Fund, Housing Revenue Account & other reserves

Movement in Reserves Statement – Housing Revenue Account
This statement follows the Housing Revenue Account Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the Housing Revenue Account.

NNDR (National Non-Domestic Rate)
National Non-Domestic Rate is a standard rate in the pound, set by the government, on the assessed rateable value of properties used for business purposes.

Non-Current Asset
Tangible assets that yield benefits to the Council, and to the services it provides, for a period of more than one year.

Operating Lease
A lease where the ownership of the fixed asset remains with the lessor. Not the same as a Finance Lease (q.v.).

Outturn
Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precept
The amount which a local authority, which cannot level a council tax directly on the public, requires to be collected on its behalf. The major precepting authorities are Norfolk County Council and Norfolk Police Authority.

Provisions
Monies set aside for liabilities which are likely to be incurred, but where exact amounts or dates are uncertain.

Prudential Code
The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes ‘proper accounting practice’ and is recognised as such by statute.

Rateable Value
The annual assumed rental value of a property, which is used for business purposes.

Reserves
The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

Revenue Expenditure
Spending on day to day items, such as employees’ pay, premises costs and supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on that years’ council tax.

Revenue Support Grant
The main grant paid by central government to a local authority towards the costs of their services.

SERCOP (Service Reporting Code of Practice)
The Service Reporting Code of Practice provides guidance on the content and presentation of costs of service activities within the CIES. It constitutes ‘proper accounting practice’ and is recognised as such by statute.

Tangible Assets
See Fixed Assets (q.v.)

Transfer of Undertakings (Protection of Employment) Regulations (TUPE)
This protects employees' terms and conditions of employment when a business is transferred from one owner to another. Employees of the previous owner when the business changes hands automatically become employees of the new employer on the same terms and conditions.

Trust Funds
Funds administered by the Council for such purposes as prizes, charities and specific projects, usually as a result of individual legacies and donations.

Two Tier authority
In most areas of England , local government functions are divided between two tiers of local authority, county councils, known as “upper tier” authorities and city, borough or district councils, known as “lower tier” authorities.

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Report to	Audit committee	**Item**
	22 September 2015	8
Report of	Head of internal audit and risk management, LGSS	
Subject	Internal audit 2015-16 – June to August update	

Purpose

To advise members of the work of internal audit between June and August 2015, and progress against the 2015-16 internal audit plan.

Recommendations

To note:

(1) work of internal audit between June and August 2015;

(2) the progress on the internal audit plan;

(3) the latest counter fraud developments.

Corporate and service priorities

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

Financial implications

None.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

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Background documents

None

Report

Background

1. The internal audit plan for 2015-16 was endorsed by members in March 2015.

2. This report covers the following areas:

   - audit assurance work June to August 2015
   - other areas of non-assurance and financial consultancy work
   - the audit plan 2015-16, showing progress against planned audits
   - the latest counter fraud developments, including the national fraud initiative and the recent *Protecting the English Public Purse 2015* report

3. For each audit assurance review a report is presented to the relevant head of service, including recommended actions to be taken. Audits are subsequently followed up to ensure that the agreed actions have been implemented.

Audit assurance work June to August 2015

4. The following areas were reported on between June and August:

   - Housing rents debit and income management – full assurance. Rent setting and income collection are part of the responsibilities of the housing income service area, which overall covers almost a quarter of all homes in Norwich.

     There was assurance across all areas reviewed for this audit, including the starting and ending of tenancies; annual rent increases; arrears monitoring and write-offs; and reconciliations of income to the housing system and housing stock. A few minor queries were raised, which were either satisfactorily resolved or left for action by the team leaders. Although some minor variances from the debt recovery timetable were seen in the cases reviewed, the action taken was generally considered appropriate for the individual circumstances. It was therefore not necessary to make any recommendations.

   - Housing benefits – substantial assurance. The administration of housing benefit is carried out by LGSS under the shared service agreement with the council.

     There was assurance across the review of new claims prior to entering on to the system; the daily reconciliation of council tax reduction payments to the council tax control account; access to the system; backdated claims; discretionary housing payments; and BACS payments. In addition, at the request of the revenues manager, we reviewed the recovery of overpayments and found that good progress has been made on increasing the amount of overpayments recovered.

     However, write offs are not always being authorised in line with the financial procedures; and testing of backdated awards identified that backdate decision notices are not always completed (although ‘good cause’ had been evidenced).

     Two recommendations were agreed, which are due to be implemented by the end of August 2015.

   - Council tax – substantial assurance. The administration and collection of council tax is carried out by LGSS under the shared service agreement with the council.

There was assurance across the arrangements in place for maintaining the council tax database; exemptions applied to council tax accounts; monitoring of arrears and collection rates; refunds and write-offs; reconciliation of the council tax database to the general ledger at year end; and access to systems.

However, the council has a high percentage of dwellings receiving the 25% single person discount (SPD), and while there is a proposal from LGSS to use a third party to help with a review of these, this is subject to agreeing funding with the county council. Agreement has not yet been reached, which means that matches from the latest NFI exercise have not been investigated.

There were other minor issues identified relating to errors with discounts awarded; and no quality assurance undertaken on third-party remote workers.

Four recommendations were made, which are due to be implemented by the end of September 2015.

- Licensing – substantial assurance. Norwich City Council has a statutory duty to issue licences to a variety of people and organisations. These include the licensing of hackney carriages, private hire vehicles, drivers of these vehicles, taxi operators, licensed premises and designated premises supervisors.

  There was assurance across all of the areas reviewed during the audit, with full assurance over the collection of income; debt management; the independence of complaints handling; and control over IT access to licensing systems.

  However, procedure notes need to be updated; in some cases licensing information has not been recorded on the IT system; the application form for taxi drivers should be updated to include the applicant's right to work; random inspections are no longer conducted on licensed premises to ensure that these continue to fulfil their licensing requirements; and suspended/revoked licences were not being marked on the IT system.

  Five recommendations were made, of which four were agreed and are due to be implemented by the end of December 2015.

  The recommendation to carry out risk-assessed inspections of licensed premises was not agreed by management, as there is no resource for inspections to be carried out solely on the basis of licensing compliance. The food & safety team do visit premises at risk-based intervals, and officers have in the past been made aware of the general requirements of licensing conditions on such premises, and can then raise any concerns with the environmental protection team as appropriate. This process contributes to management's assurance that licensees are fulfilling the requirements of their licence.

5. Other assurance work which is in progress is shown in **appendix 1**.

Follow ups

6. The following audits were followed up:

- Housing benefits – the four recommendations are complete.
- Provision market – seven of the eight recommendations are complete or in hand. As previously reported, market rents were not reviewed for 2015-16. The public protection manager has stated that rents will be reviewed for 2016-17 and tenants will be informed of any increase in November 2015.

Non-assurance work

7. The main areas of non-assurance work in the period were:

- Preparing the draft annual governance statement 2014-15 for CLT and audit committee
- Updating the corporate risk register for CLT and audit committee
- Investigating matches from the NFI 2014-15 data matching exercise and training a benefits team leader to use the NFI web application.

Matters arising from previous meeting

8. At your meeting in June a question arose about the retention of emails and the council's server capacity.

9. The policy on the retention of emails is contained in the council's shared folder policy, which states that the email system and Outlook public folders should not be used for long-term storage of emails. As they form part of the corporate record they must instead be stored in the relevant shared folder in order to be accessible.

10. The email system is backed up every night and is available for four weeks, should emails be required for evidence purposes. There are currently no issues with the capacity of the email server.

Progress against the audit plan

11. Details of the annual audit plan for 2015-16 are shown at **appendix 1**, showing estimated and actual days for each area of audit assurance work, with non-assurance and consultancy work shown separately.

12. To the end of August 2015, 186 days have been delivered against the audit plan. This includes work on audits started at the end of 2014-15 but not completed by the end of March.

13. The restructure of the LGSS internal audit service is now complete, but resourcing the audit plan is still under review due to the unexpected resignation of a temporary principal auditor, who had been providing additional support to the Norwich team.

Counter fraud developments

National fraud initiative

14. For the 2014-15 exercise 2,842 matches for possible investigation have been released so far. Work is continuing to review these matches, and so far approximately half have been closed with no fraud detected. However, it should be noted that in the case of housing benefit matches staff in LGSS revenues and benefits are only responsible for identifying potentially fraudulent claims, which are then passed to DWP for investigation. To date there have been no reports back from the DWP that any of the referred matches are fraudulent.

15. For 2015-16 the council has received a request from the Cabinet Office to supply council tax and electoral register data for the annual data matching exercise for council tax single person discount fraud. The relevant staff have been made aware in order to ensure that the data is made available later this year.

Protecting the English Public Purse 2015

16. At your meeting in June 2015 members were informed about the annual fraud and corruption survey undertaken by The European Institute for Combatting Corruption and Fraud (TEICCAF).

17. The TEICCAF has now summarised the results of the survey in a report, *Protecting the English Public Purse 2015* (*PEPP 2015*).

18. The focus of *PEPP 2015* is to report year-on-year changes in cases and values of detected fraud, as well as highlighting longer term trends and regional developments. In future years the focus will be on the identification and sharing of good practice.

19. *PEPP 2015* is for those with overall responsibility for tackling fraud and corruption at councils, including councillors. Above all, it aims to help local authorities understand the fraud risks they face and to assist the development of appropriate and proportionate counter-fraud arrangements at councils.

20. The report, which is available on e-councillor, includes a checklist for councillors, senior officers and others responsible for audit and governance to review counter-fraud arrangements.

Housing tenancy counter fraud exercise

21. At the end of last year the housing management team commissioned a data matching exercise to help assess existing tenancies and investigate possible tenancy fraud.

22. Callcredit’s ThreeSixty Tenant View is a batch data-matching product which uses the council's tenant data to ensure that the expected tenants are still resident or, where this is not the case, trace the expected tenants and name the current occupiers. The service checks for tenancy fraud by identifying discrepancies in tenant and property records. Results are delivered in summary form together with a detailed report for each property where fraud appears to be taking place, to enable further investigation.

23. 14,991 records were matched, of which 378 resulted in some form of action, ranging from simple updating of records to reporting possible benefits and council tax fraud.

24. To date no prosecution for tenancy fraud has taken place as a result of this exercise but a number of tenancies have been regularised. It is reassuring that existing checks and reviews seem to be effective, but there is no room for complacency. It is intended to publicise the outcome of the exercise in a future edition of *TLC*, the council's magazine for tenants and leaseholders, in order to raise awareness of tenancy fraud and highlight the council's actions to tackle it.

Anti-fraud and corruption and whistleblowing policies

25. The LGSS counter fraud team is currently reviewing the above policies across LGSS, and as part of this exercise they have been asked to assist with tailoring these policies for the council, in conjunction with the head of HR and learning and the monitoring officer.

Appendix 1

LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated Days	Actual to Wk 22	Comments / Latest position
Financial systems			
Purchase to pay	20		
Accounts receivable	20		
Payroll	10		
Housing rents/arrears	15		
Housing benefits	20		
Council tax	15		
NNDR	15		
Bank reconciliations	5		
Cash receipting	15		
Sub-total	**135**	**0.0**	
Corporate			
Strategic risk management	15	3.4	Administration and reporting of corporate risk register
Corporate governance	25	6.2	Co-ordination & preparation of AGS; corporate governance group; policy updates
Sub-total	**40**	**9.6**	
Business relationship management			
Procurement & contract management arrangements	25	1.4	Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
Insurance	10		
Finance & HR IT system implementation	30		
Information governance	15	10.9	In progress
Register of electors	10		
ICT audits:	10	3.2	Incl. embedded assurance re Corp Info Assurance Group; input into IT audits
ICON cash receipting	15		
UNIFORM	15		
Website refresh and e-forms	15	5.9	In progress
Sub-total	**145**	**21.4**	
Regeneration & development			
CIL expenditure	15		
Sub-total	**15**	**0.0**	
Strategy, people & neighbourhoods			
HRA business plan & HIP	15		
Private sector leasing	15		
Right to buy	15	9.6	In progress
Safeguarding duties	15		
Garages	5	6.4	In progress
Allotments	5	6.8	Complete
Sub-total	**70**	**22.8**	
Customers, communications & culture			
Go4Less	5	4.2	In progress
Sub-total	**5**	**4.2**	
Fraud & corruption			
Anti-fraud and NFI work	80	13.9	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)
Special investigations	15	1.4	Contingency
Sub-total	**95**	**15.3**	
Contingencies			
To complete 2014-15 plan:	40		
CIL income		1.0	Complete
Parking income		12.2	In progress
Home improvements		9.1	Complete
Payroll		0.2	Draft report issued
Housings rents/arrears		11.5	Complete
Cemeteries		10.3	In progress
Licensing		5.6	Complete
Shared services		1.0	Complete
NNDR		9.9	Complete
Council tax		9.7	Complete
Housing benefits		19.0	Complete
Leasehold services		3.5	Slipped from 14-15 - in progress
Follow-ups	20	13.9	Follow ups required by Code of Practice
Advice, guidance, etc	25	5.6	Contingency for advice, guidance & unplanned work requests
Sub-total	**85**	**112.5**	
Total planned time	**590**	**185.8**	

Indicative resources	**Days**
Head of audit / Audit manager	65
Principal auditor	180
Senior auditor	200
Senior auditor / graduate trainee	100
Computer auditor	45
	590