Statement of Accounts

NORTH NORFOLK DISTRICT COUNCIL

2015/2016

1. Introduction

1.1 The Statement of Accounts for 2015/16 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. This narrative statement aims to provide an introduction to the accounts for the reader and includes the following:

- An outline of the main financial statements included within the accounts;
- A commentary on the financial outturn position compared to the budget;
- An overview of the Authority's financial performance and economy, efficiency and effectiveness in its use of resources over the 2015/16 financial year;

2. Statements Included in the Accounts

2.1 The accounts consist of the following main statements:

- **Movement in Reserves Statement –** this statement shows the movement in the year on the different reserves held by the Authority analysed between:
  - 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and
  - 'other reserves' which are maintained for accounting purposes.

  The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services in the year, more details of which are shown in the Comprehensive Income and Expenditure Statement. These differ from the statutory amounts required to be charged to the Authority's General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the movement in the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.
- **Comprehensive Income and Expenditure Statement –** this statement shows the accounting cost of providing services in the year in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation.
- **Balance Sheet –** this statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. It sets out the financial position of the Authority at the year-end, showing its balances, resources and long-term indebtedness, the net current assets employed in its operations, together with summarised information on the fixed assets held. The Balance Sheet is fundamental to the understanding of the Authority's year-end financial position.
- **Cash Flow Statement** - summarises all flows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are

funded by taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

- **Collection Fund** – As a billing authority North Norfolk District Council (NNDC) is responsible for the billing, collection and distribution of Council Tax and National Non-Domestic Rates (NNDR). In accordance with the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (amended by Local Government Finance Act 1992 and the Local Government Finance Act 2012) billing authorities are required to establish and maintain a separate fund for the collection and distribution of amounts due in relation to Council Tax and NNDR. This statement, known as the Collection Fund, shows the total income collected by the Authority from Council Tax and NNDR and how this has been distributed to Central Government; the major precepting bodies of Norfolk County Council (NCC) and the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and NNDC (which includes the local precepts for Parish and Town Councils). There will be a debtor or creditor position between the billing authority (NNDC), Central Government and the major preceptors (NCC & OPCCN) to be recognised at the end of each year. This is because the amounts paid out of the Collection Fund during the years will not exactly match the cash collected in Council Tax and NNDR.

- **Notes to the Accounts** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves.

3. Our District

3.1 North Norfolk District consists of 99,144 hectares of beautiful countryside and 73km of coastline. With a range of active village communities and seven busy market towns of Wells-next-the-Sea, Fakenham, Holt, Sheringham, Cromer, North Walsham and Stalham North Norfolk has a strong appeal for residents, visitors and businesses alike.

3.2 North Norfolk's population is expected to grow from the current 102,867 to 106,807 by 2021 and the number of resident households is projected to grow to from 48,000 to 50,000 by 2022.

3.3 A large proportion of residents live in one of the market towns with the remainder living in rural village homes. This means that the district has a low population density (1.1 persons per hectare compared to 4.1 for England as a whole). The area's rural nature is characterised by its 121 parishes, numerous villages and low crime rate which make North Norfolk one of the most attractive and safe places to live in the UK.

3.4 Residents work predominantly in the accommodation and food sector, retail, manufacturing and health. The largest numbers of businesses are in the agriculture, forestry and fishing sector followed by retail, construction, accommodation and food services and the professional, scientific and technical sectors.

4. Corporate Plan and Priorities

4.1 The Council has a corporate plan covering 2015 – 2019 and each year an annual action plan is drawn up to cover the actions for the next year. The annual action plan shows what the Council will do to meet the needs and aspirations of residents and businesses. The plan sets out the Council's priorities which are:

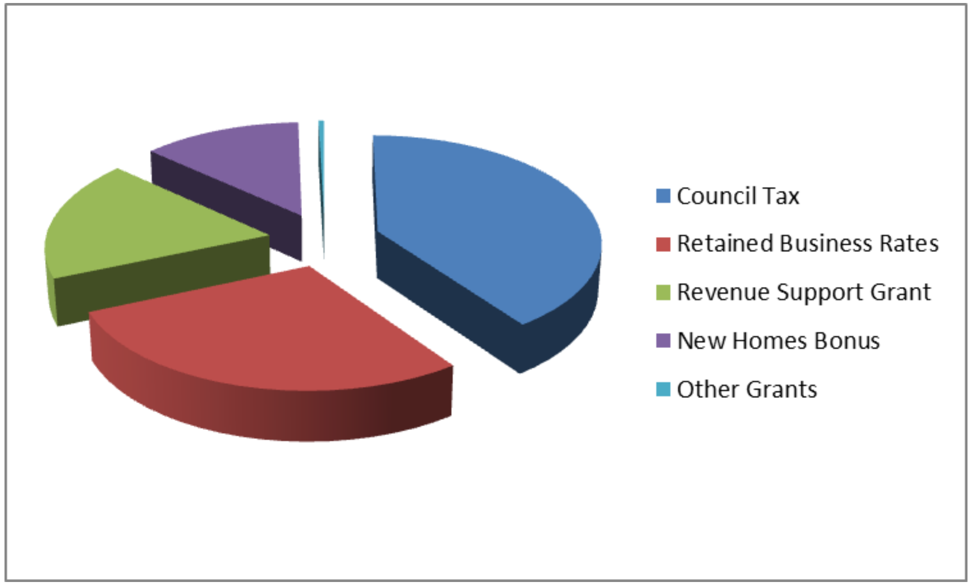
- **Jobs and the Local Economy -** A district with a thriving economy offering better jobs and prospects for local people.
- **Housing and Infrastructure** - To address housing and infrastructure for local people whilst meeting the market demand for housing.
- **Coast and Countryside** - A district where the beautiful natural environment is managed and protected for future generations.
- **Health and Well-Being -** A district with vibrant communities and where healthy lifestyles are accessible to all.
- **Delivering Service Excellence -** To make the council more efficient so that we can both deliver our priorities and offer value for money for local taxpayers.

4.2 The priorities define the medium term goals of the Council and as such remain relatively constant from year to year, but the actions associated with them are set annually for each financial year.

5. Revenue Activity

5.1 The following commentary and visuals seek to provide an overview of the resources available to the Authority during the year along with the outturn position compared to the budget.

5.2 The following shows how the revenue activity was financed during the year, showing that approximately a third of the net funding is from external sources, i.e. revenue support grant and new homes bonus and two thirds from council tax and locally retained business rates. This position is shown net of fees and charges service income.



	2015/16 Actual £000	**%**
Council Tax	(5,307)	40.1
Retained Business Rates	(3,757)	28.4
Revenue Support Grant	(2,404)	18.2
New Homes Bonus	(1,698)	12.8
Other Grants	(58)	0.4
	(13,224)	

5.3 The actual spend in the year is summarised in the following section.

6. Financial Performance 2015/16 – Against Budget

6.1 The 2015/16 budget was approved and set by Full Council in February 2015. The financial performance of the Authority has been monitored throughout the year by officers and members with regular reports being presented to Cabinet and Overview and Scrutiny Committee. The summary below provides an overview of the outturn position compared to the updated budget (i.e. updated for virements and approved in-year updates).

6.2 Transfers to and from reserves in the year are made in line with the Authority's policy framework for earmarked reserves as approved as part of the annual budget setting process. In addition some roll forward requests of budget underspends have been approved as part of the outturn report where there is no annual budget provision in 2016/17.

Financial Performance - 2015/16 Subjective Analysis	**2015/16 Updated Budget**	**2015/16 Actuals**	**Variance**	
	£000	**£000**	**£000**	**%**
Employee Costs	9,838	9,648	(190)	(1.9)
Premises	2,571	2,480	(90)	(3.5)
Transport Related Expenditure	296	284	(12)	(4.1)
Supplies & Services	9,195	9,466	272	3.0
Transfer Payments	22,866	28,158	5,292	23.1
Support Services - Charges In	8,791	9,041	250	2.9
Support Services - Charges Out	(8,853)	(9,067)	(214)	2.4
Capital Financing Costs	5,646	2,426	(3,220)	(57.0)
Income	(31,942)	(39,184)	(7,242)	22.7
Total cost of services	**18,408**	**13,253**	**(5,155)**	**(28.0)**

6.3 The reasons for the significant movement included in the summary above are as follows:

- **Employee Costs** – The budget assumes 2% turnover for employee costs per annum. A higher level of turnover saving has been achieved in the year and this is largely due to a number of vacant posts within services. Some underspends have been offset by overtime or the use of external support including agency staffing. In addition there has been underspending on training in the year, some of which has been carried forward to 2016/17.
- **Premises** – The significant variances under this heading are in relation to coast protection and the timing of the repair works.
- **Supplies and Services** – The significant movements against the budgets for supplies and services include bad debts provision, printing and postage mainly in relation to elections in the year.
- **Capital Financing Costs** – The variance reflects the timing of housing capital programme schemes that are treated as 'revenue expenditure funded from capital under statute' (REFCUS). This represents revenue expenditure which is funded from capital but does not result in a tangible fixed asset for the Authority, for example housing grants and loans. This variance will be reversed out as it does not have an impact on the bottom line – i.e. the amount funded from grants and the council taxpayer.
- **Income –** The most significant income variances for the year are due to additional VAT shelter income, car parking fee income, planning income, grants received and benefits subsidy income, the latter is matched by benefits payments included under the transfer payments heading.

6.4 At a service level the following provides some commentary on the more significant year end variances compared to the budget that are reported in the 2015/16 accounts;

- **Car Parking –** An overall saving of £206,297 against the budget was achieved in the year. Additional income from pay and display fees above the level budgeted accounts for £162,748, the remainder of the variance reflects a number of smaller movements against the budget including additional season ticket income, a reduction in excess charge income and a saving in the management fee.

- **Coast Protection** – The revenue sea defences budget was underspent in the year by £114,621 although this has been used to finance coastal capital works in the year.

- **VAT Shelter** – Additional VAT shelter receipt of £164k compared to the budget was received in the year which has been transferred to the capital projects reserve.

- **Community and Localism** – The service reported a year end underspend of £301k which included some uncommitted and unclaimed big society fund grants. Where grant conditions have remained unmet at the year end the grant remains unclaimed although the amounts will be carried forward in an earmarked reserve. There are also a number of grants received in the year for which expenditure has not yet been incurred, for example Youth Advisory Board.

- **ICT Services –** The service reported a year end underspend of £81k. Of this, £44k was in relation to employee costs from three vacant posts within the service which have now been recruited to. There are also a number of other underspends for example in relation to telephone costs, computer consumables and staff training expenditure not incurred in the year

- **Waste Collection and Disposal –** The service achieved an overall underspend of £155,518 in the year for which the more significant variances are:

  - Contract costs underspend of £128,004 due to additional trade waste vehicle not being required in the year;
  - Additional contamination and audit costs of £75,183;
  - Additional disposal costs of £31,084;
  - Fee income from bulky, garden and trade waste collections of £85,983 being received above the budget;
  - Additional income from recycling credits and sale of recyclable materials of £36,917.
  - Of the underspend £120,000 has been earmarked to fund bin purchases for the remainder of the contract and is included as a recommendation to update the capital programme accordingly.

- **Property Information –** Of the reported underspend in the year of £182,356, £92,953 relates to new burdens funding received in the year in respect of property search litigation. In addition the original budget assumed that elements of the service would transfer to the land registry in the year; this has not yet happened and income of £125,164 from searches has been received above the budget. Some of this has been offset by additional search costs.

- **Benefits and Revenues** – Within the service there was a higher level of staff turnover in the year than budgeted, in addition a post remained vacant during the year which has been reviewed as part of the 2016/17 budget process. Overall the service contributed a net underspend of £204k for the year.

- **Finance** – Due to a post being vacant and recruitment being unsuccessful in the year there has been an underspend on employee costs of £44k for the year.

- **Shared Posts** – For part of the year there have been three senior posts (Chief Executive and Head of Finance since November 2015 and Head of Organisational Development since September 2015) shared with Great Yarmouth Borough Council. This arrangement has seen a net reduction in employee costs for the Authority of £70k for the year.

- **Planning** – The land charges service within planning had assumed an early transfer date of the function to the land registry, this has not yet happened and therefore the outturn position show additional income above that budgeted. In addition there was new burdens funding received in the year, overall resulting in a net underspend of £182k for the year.

Business Rates Retention

6.5 The actual funding from business rate income has exceed the budget for the year. The total variance for the year under the Business Rate Retention Scheme was £635k. This sum is made up from a reduction in the levy payable to Norfolk County Council of £336k, additional income from renewable energy schemes of £158k and an increased amount receivable in respect of reliefs funded by central government using Section 31 grants of £141k.

6.6 The Authority is a member of the Norfolk Business Rates Pool which enables growth in the business rates collected in Norfolk to be retained locally, rather than being passed to central government. The growth is paid over in the form of a levy payment to Norfolk County Council as the lead authority for the Pool. The budget for the levy was £578,051 but this has reduced by £336,673 to £241,378 at Outturn. The reduction is due to a lower business rate income figure (after reliefs) than was anticipated when the NNDR1 Return was completed.

6.7 The Authority can retain all the income from renewable energy schemes, provided it granted planning permission for the scheme. It must include each year the amount it anticipates it will receive when completing the NNDR1. Any variation will be carried forward to the following year. The actual income receivable in 2014/15 from renewable energy schemes was £157,703 above the NNDR1 figure for that year of £46,012, and this additional income will be included in the 2015/16 Outturn.

6.8 The Government has provided additional reliefs to business in successive Autumn Statements. These reliefs have been dealt with outside the Business Rate Retention Scheme and funded by Section 31 grants payable to District Councils. The reliefs actually granted to businesses for the year have resulted in an increase of £141,058 in grant received.

6.9 The business rate income is paid into the Collection Fund and then distributed to Central Government, the County Council and NNDC in accordance with the proportionate shares set out in the Scheme. The distribution is based on the NNDR1 return and any variances at Outturn will produce a surplus or deficit on the Collection Fund which is then distributed in the following year. A deficit on the Collection Fund had been anticipated for 2015/16 and a significant Provision is required in the Accounts to cover expected appeals against the rateable values of purpose built Health Centres.

6.10 The Authority's share of the anticipated deficit on the Collection Fund for 2015/16 at the time of completing the 2016/17 NNDR1 is £755,741. The additional income received in the year has been allocated to the business rates earmarked reserve.

7. Treasury Management and Economic Climate

7.1 The amount of surplus cash available for investment during the year was consistently higher than the level anticipated in the budget; although the overall rate of interest earned was 0.63% lower than budget. The capital loans to a Housing Association were not made and this contributed to the lower rate of return for the year. These loans are now anticipated to be made in 2016/17. Once again the return from the

Local Authorities Mutual Investment Trust (LAMIT) pooled property fund produced an excellent income return for the Authority earning 6.22%. The income budget for 2015/16 anticipated £430,610 would be earned in interest from an average balance of £19.573m at a rate of 2.2%. A total of £501,327 was earned from investments over the year from an average balance of £31.869m at an average rate of interest of 1.57%. This resulted in a favourable variance against the budget of £70,717 in respect of investment income

7.2 The current economic climate along with the associated reductions in central government funding continues to have a direct impact on the finances of the Authority. Income from investments continues to deliver a revenue stream to the Authority and the key treasury management principles for investment continue to be security of the capital sum.

7.3 The Authority remained free of long term debt at 31 March 2016. There are currently no plans to undertake any new long-term borrowing and any short-term cash shortfall can easily be covered as short-term borrowing for cash flow purposes is readily available on the money markets.

8. Capital

8.1 Capital expenditure in the year amounted to £4.732 million (£5.715 million 2014/15) and was incurred against the following areas:

Capital Activity Summary 2015/16 Outturn	2015/16 Base Budget	2015/16 Updated Base Budget	2015/16 Outturn	Variance to Updated Budget
	£	£	£	£
Jobs and the Local Economy	315,040	315,040	201,977	(113,063)
Housing and Infrastructure	4,449,198	4,449,198	847,836	(3,601,362)
Coast, Countryside and Built Heritage	4,058,194	4,058,194	2,741,629	(1,316,565)
Localism	676,148	676,148	269,706	(406,442)
Delivering the Vision	1,151,722	1,151,722	670,609	(481,113)
	10,650,302	10,650,302	4,731,757	(5,918,545)

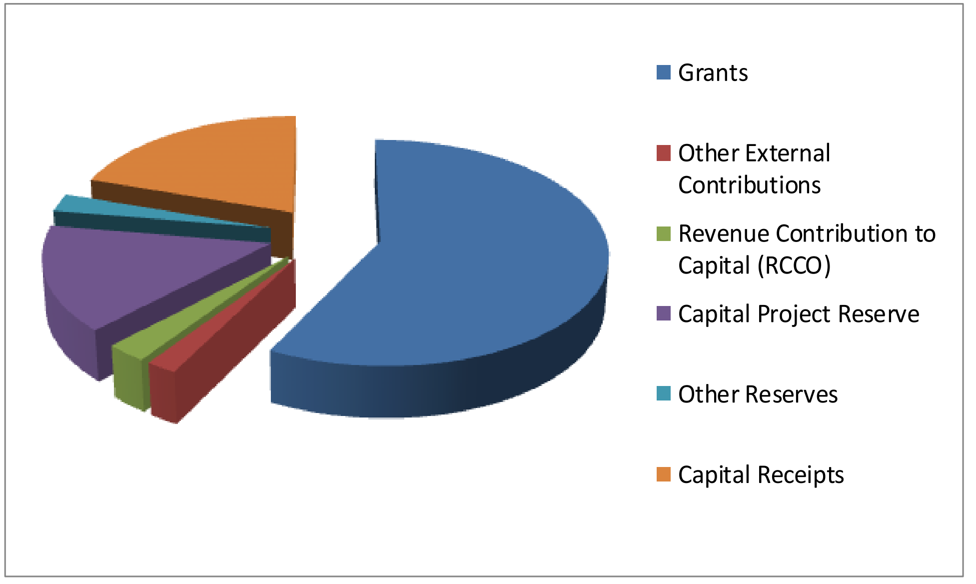
8.2 The main areas of capital expenditure in the year included the following:

- **Housing and Infrastructure**
    - Payment of Disabled Facilities Grants - £437,040;
    - Grant payment to Housing Association - £403,634;

- **Coast, Countryside and Built Heritage**
    - Cromer Pier and West Prom Refurbishment Scheme - £173,416;
    - Works on the Cromer Coastal Protection Scheme - £1,355,204;
    - Storm Surge Works - £160,655;
    - Sheringham West Prom - £215,245;
    - Payment of Repairs and Renewals Grants - £239,782;
    - FLAG Beach Access schemes - £369,335;
    - Bacton to Walcott Coastal Scheme - £113,966;

- **Localism**
    - Grant payment to North Norfolk Railway in relation to TIC and public convenience provision in Sheringham £105,819;
- **Delivering the Vision**
    - Fakenham Connect and Cromer Office Works - £267,136.

8.3 The financing of the capital programme is illustrated below, of the financing £2.822million, 60 % was financed externally from grants and contributions, with the balance, £1.909million (£1.501 2015/16) coming from NNDC internal resources.



Financing	**2015/16 Outturn**	%
Grants	2,728,554	57.7%
Other External Contributions	93,837	2.0%
Revenue Contribution to Capital (RCCO)	125,000	2.6%
Capital Project Reserve	721,421	15.2%
Other Reserves	123,691	2.6%
Capital Receipts	939,254	19.9%
TOTAL FINANCING	**4,731,757**	

9. Reserves and Balances

9.1 The Authority holds a general reserve for which the recommended balance is currently £1.75 million. The general reserve balance at 31 March 2016 is £2.598 million.

9.2 The purpose of holding a general reserve is to provide a working balance to help cushion the impact of uneven cash flows to avoid temporary borrowing and to provide a contingency to help cushion the impact of unexpected events or emergencies. Each year alongside approval of the budget Members approve the policy framework for the earmarked reserves and assessment of the optimum level of general reserve. The optimum level of the general reserve is informed by a risk assessment of the budget that takes into account the context within which the budget has been established along with the financial risks facing the Authority. This will include factors such as, sensitivity of pay and price inflation and interest rates, levels of savings anticipated, demand led budgets (spend and income), future funding fluctuations and emergencies.

9.3 In addition to the general reserve the Authority holds a number of earmarked reserves that are held to meet known or predicted liabilities. The earmarked reserves also provides a means at the year-end for carrying funds forward to the new financial year to fund ongoing commitments and known liabilities for which no separate revenue budget exists.

9.4 There are a number of earmarked reserves that have balances, yet the timing of the use of the reserve is yet to be agreed. One of these reserves is the New Homes Bonus which includes allocation from previous grants. Some of the unallocated balance will be used to fund one-off costs in respect of the Local Plan review, the year-end balance on this reserve was £1.4m. The Authority holds a 'Restructuring and Invest to Save Reserve', which the balance at 31 March 2016 was £1.9m. As the name suggests this reserve is held to fund one-off costs associated with restructuring which could include redundancy and pension strain, and also costs that will deliver future efficiencies and savings. This reserve is being used to fund costs associated with the Authority's Digital Transformation programme which will include one-off procurement costs and also some employee costs to support the programme. As part of the agreed programme individual business cases are brought forward for approval to release funds from this reserve.

9.5 The following table provides a summary of the more significant reserves, more detail can be found at note 6 on page 32 of the accounts.

	Balance at 31/3/16 £000
General Reserve	2,598
Capital Projects	2,335
Big Society Fund	1,033
Broadband	1,000
Business Rates	1,991
New Homes Bonus	1,418
Restructuring and Invest to Save Reserve	1,875
Other Earmarked Reserves	3,474
Total	**15,724**

10. Future Financial Outlook and Risks

10.1 The budget for 2016/17 was approved in February 2016. At the same time financial projections for the following three years to 2019/20 were also reported. The budget for 2016/17 includes new savings and additional income totalling £858,000 for 2016/17 which are expected to increase in 2017/18. Some of these savings have started to accrue in 2015/16 which has contributed to the underspend now being reported in the year.

10.2 The forward financial projections from 2017/18 onwards make assumptions around the future funding from government support and known commitments and changes to service expenditure. The table below provides a summary of the current reported funding gaps for the next three years.

Current Reported Funding Forecast			
	2017/18 **£000**	**2018/19** **£000**	**2019/20** **£000**
Current Funding Gap/(surplus)[1]	(645)	701	1,461

10.3 The forward projections of expenditure and income will be updated to take account of the outturn position and also other spending/income pressures that have been identified outside of the budget process. These will be reported to Members during 2016/17 as part of the Financial Strategy update to enable early preparation for the 2017/18 budget process.

10.4 There are a number of financial risks that continue to face Local Authorities in terms of funding, for example the Local Retention of Business Rates and responding to spending pressures and changes in service demand. Some of the more significant and current risks that continue to face the Authority are as follows:

- **Funding Reductions** - Further funding reductions and the continued shift from central government support from Revenue Support Grant to local funding from retained business rate income and Council Tax;
- **New Homes Bonus** – The outcome of the consultation is yet to be announced, however it is almost certain that the scheme will reduce from a six year to four year scheme and also the funding being influenced by local planning decisions and Local Plan. Some of this risk is mitigated by the earmarked reserve which can be used to smooth the impact of movements in funding from the level assumed.
- **Business Rates** – The risk of funding fluctuations from business rates and the impact of appeals only exacerbates this risk, again this is mitigate at a local level by the earmarked reserve. A further risk in relation to business rates retention system is the review that will see changes to the system albeit keeping the impact fiscally neutral in that the amount of income collected through business rates

[1] As reported in the 2016/17 Budget Report, February 2016 after updating for the approvals to car parking charges.

will remain the same, however due to the significant proportion of small business hereditaments within the district, depending on the outcome of the review this could have a negative impact on the districts share of the income.

- **Savings** – the delivery of savings as currently factored into budgets and projections.
- **Income** – Income from a number of demand led services remains a financial risk that cannot be fully influenced by the Council.
- **Investment Returns** – Interest rates continue to be low and the delivery of investment returns is problematic with the choice of counterparty and period of exposure needing to be weighed on a daily basis in line with the treasury management strategy. Sound principles underpinned by professional guidance from treasury management advisors allows for a cautious but not complacent approach to investment returns.
- **Housing Benefit Subsidy** – As a significant budget heading in the region of £30million per annum alone this presents a risk in terms pf the accuracy of the claims and subsidy recovered, This is mitigated by an earmarked reserve that the Authority maintains.

11. Retirement Benefits Disclosure

International Accounting Standard "Employee Benefits" (IAS 19) has been fully incorporated into the *Chartered Institute Public Finance and Accountancy* (*CIPFA) Local Authority Accounting Statement of Recommended Practice*. The disclosures required for the financial year ending 31 March 2016 are on pages 54 to 60 and show a Net Pension Liability of £30,828,000 as at 31 March 2016 (£39,012,000 at 31 March 2015).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. At present the deficit on the scheme would be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

12. Annual Governance Statement

The annual governance statement is a statutory document which explains the processes and procedures in place to enable the council to carry out its functions effectively. A full copy of the Statement is available on the Councils website and can be accessed by following the link below.

http://www.north-norfolk.gov.uk/files/Annual_Governance_Statement_2015-16.pdf

13. Further Information

For further information about these accounts please contact the Head of Finance, North Norfolk District Council, Council Offices, Holt Road, Cromer, NR27 9EN or email accountancy@north-norfolk.gov.uk.

CONTENTS

This page is intentionally blank

The Authority's Responsibilities

The Authority 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 this Authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Finance Officers Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority'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 local authority code.

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2016.

Dated: 21 September 2016 **Karen Sly BA Hons CPFA, Head of Finance (Chief Finance Officer)**

THE FINANCIAL STATEMENTS 2015/16

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Authority, 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 Authority'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 for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. The total authority reserves at 31 March 2016 as shown in the MIRS agrees to the balance sheet value of £45.071 million

		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014		**1,922**	**8,869**	**6,270**	**0**	**17,061**	**14,592**	**31,653**
Movement in Reserves during 2014/15								
Surplus/(Deficit) on provision of services		4,486	0	0	0	**4,486**	0	**4,486**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(4,929)	**(4,929)**
Total Comprehensive Income and Expenditure		**4,486**	**0**	**0**	**0**	**4,486**	**(4,929)**	**(443)**
Adjustments between accounting basis & funding basis under regulations	5	(801)	0	(176)	0	**(977)**	977	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**3,685**	**0**	**(176)**	**0**	**3,509**	**(3,952)**	**(443)**
Transfers (to)/from Earmarked Reserves	6	(3,318)	3,318	0	0	**0**	0	**0**
Increase/(Decrease) in Year		**367**	**3,318**	**(176)**	**0**	**3,509**	**(3,952)**	**(443)**
Balance at 31 March 2015 Carried Forward		**2,289**	**12,187**	**6,094**	**0**	**20,570**	**10,640**	**31,210**
Movement in Reserves during 2015/16								
Surplus on provision of services		3,848	0	0	0	**3,848**	0	**3,848**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	10,013	**10,013**
Total Comprehensive Income and Expenditure		**3,848**	**0**	**0**	**0**	**3,848**	**10,013**	**13,861**
Adjustments between accounting basis & funding basis under regulations	5	(2,214)	0	459	0	(1,755)	1,755	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,634**	**0**	**459**	**0**	**2,093**	**11,768**	**13,861**
Transfers (to)/from Earmarked Reserves	6	(1,325)	1,325	0	0	**0**	0	**0**
Increase/(Decrease) in Year		**309**	**1,325**	**459**	**0**	**2,093**	**11,768**	**13,861**
Balance at 31 March 2016 Carried Forward		**2,598**	**13,512**	**6,553**	**0**	**22,663**	**22,408**	**45,071**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services, 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.

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		Note	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
3,102	(1,390)	1,712	Central Services to the public		3,219	(1,519)	**1,700**
3,872	(625)	3,247	Cultural and Related Services		1,839	(512)	**1,327**
8,961	(3,474)	5,487	Environmental and Regulatory Services		8,857	(3,214)	**5,643**
3,523	(2,656)	867	Planning Services		3,694	(2,170)	**1,524**
883	(2,292)	(1,409)	Highways and Transport Services		1,051	(2,292)	**(1,241)**
29,554	(29,002)	552	Other Housing Services		29,749	(28,721)	**1,028**
1,852	(3)	1,849	Corporate and Democratic Core		1,950	(11)	**1,939**
5	0	5	Non Distributed Costs		14	0	**14**
51,752	**(39,442)**	**12,310**	**Cost of Services**		**50,373**	**(38,439)**	**11,934**
		691	Other Operating Expenditure	7			665
1,473	(406)	1,067	Financing and Investment Income and Expenditure	8	1,296	(520)	776
		(18,554)	Taxation and Non-Specific Grant Income	9			(17,223)
		(4,486)	**(Surplus) or Deficit on Provision of Services**	16			**(3,848)**
		(555)	(Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets				(158)
		(687)	(Surplus) or Deficit on revaluation of Available for Sale Financial Assets	11			(299)
		6,171	Actuarial (gains)/losses on pension assets/liabilities				(9,556)
		4,929	**Other Comprehensive Income and Expenditure**				**(10,013)**
		443	**Total Comprehensive Income and Expenditure**				**(13,861)**

Balance Sheet as at 31 March 2016

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Authority 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority 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'.

31 March 2015 £000		Note	31 March 2016 £000
50,211	Property, Plant and Equipment	29	51,931
255	Investment Property	26	1,060
206	Intangible Assets	27	173
10,904	Long Term Investments	39	18,617
38	Long Term Debtors	39	32
61,614	**Long Term Assets**		**71,813**
4,364	Short Term Investments	39	7,612
37	Inventories	32	38
9,236	Short Term Debtors	33	2,756
5,040	Cash and Cash Equivalents	15	4,632
0	Assets held for sale (<1yr)	31	390
18,677	**Current Assets**		**15,428**
(437)	Bank Overdraft	15	(826)
(7,787)	Short Term Creditors	34	(8,347)
(512)	Capital Grants Receipts in Advance	38	(627)
(335)	Short Term Provisions	35	(854)
(9,071)	**Current Liabilities**		**(10,654)**
(40,010)	Other Long Term Liabilities	22/39	(31,516)
(40,010)	**Long term Liabilities**		**(31,516)**
31,210	**Net Assets**		**45,071**

31 March 2015 £000		Note	31 March 2016 £000
	Usable Reserves:		
2,289	General Fund Balance		2,598
12,187	Earmarked Reserves	6	13,512
6,094	Capital Receipts Reserve		6,553
20,570	**Total Usable Reserves**		**22,663**
	Unusable Reserves:	11	
16,176	Revaluation Reserve	11(a)	16,063
1,099	Available for Sale Financial Instruments Reserve	11(b)	1,398
32,971	Capital Adjustment Account	11(c)	36,296
(39,012)	Pensions Reserve	11(d)	(30,828)
(401)	Collection Fund Adjustment Account	11(e)	(287)
(193)	Accumulated Compensated Absences Adjustment Account	11(f)	(234)
10,640	**Total Unusable Reserves**		**22,408**
31,210	**Total Reserves**		**45,071**

The Statement of Accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016. The notes on pages 8 to 91 form part of the financial statements. These financial statements replace the unaudited financial statements signed by the Head of Finance on the 20 June 2016.

Dated: 21 September 2016

Karen Sly BA Hons CPFA, Head of Finance

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

31 March 2015 £000		Note	31 March 2016 £000
4,486	Net Surplus on the provision of services	16	3,848
(2,461)	Adjust Net Surplus/(Deficit) on the provision of services for non cash movements	12	8,992
(1,049)	Adjust for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	12	(1,282)
976	**Net Cash Flows generated from (used in) Operating Activities**		**11,558**
(4,723)	Investing Activities	13	(11,631)
(1,247)	Financing Activities	14	(724)
(4,994)	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**(797)**
9,597	Cash and Cash Equivalents at the beginning of the reporting period	15	4,603
4,603	Cash and Cash Equivalents at the end of the reporting period	15	3,806

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounting policies detailed below have been consistently applied within the financial statements.

B Accruals of Income and 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 Authority 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 Authority
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for 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 receivable or payable for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

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

C Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on demand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash on the Balance Sheet date, and which are subject to an insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts as they are repayable on demand and form an integral part of the Authority's day to day cash management activity.

D Changes in Accounting Policies and Estimates and Errors

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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There have been no changes to the accounting policies in the year and no material errors from previous year requiring restatement.

E 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 assets attributable to the service.

The Authority is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations.

F Employee Benefits

<u>Benefits Payable during Employment</u>

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render services to the Authority. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to either terminating 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 Authority 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 termination benefits related to pensions enhancements 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 Authority are members of the Local Government Pensions Scheme (LGPS), administered by Norfolk County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension:

- The liabilities of the Norfolk pension fund attributable to the Authority 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 3.5% (3.2% in 2014/15). This rate is based on a corporate yield curve based on the constituents of the iBoxx Sterling Corporates AA index and using the UBS delta curve fitting methodology. In line with the adoption of IAS 19 – Employee Benefits, an individual discount rate is calculated for each employer, based on their own weighted average duration category. The weighted average duration is used to identify the appropriate category for each employer as shown in the table below:-

Weighted Average Duration	Discount Rate Category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

- The change in the net pensions liability is analysed into seven components:
    - Current service cost - The increase in the present value of the defined benefit obligation resulting from employee service in the current period
    - Past service cost – The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).
    - Interest cost – The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to payment.
    - Expected return on assets -The expected increase during a period in the value of assets, based on values and long term expected returns as at the start of the period.
    - Gains/losses on settlements and curtailments -the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - 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 - debited to the Pensions Reserve. These are recognised under ‘other comprehensive income’;
    - 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on 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 Authority 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.

G 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 are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes to the accounts of the nature of the events and their estimated financial effect.

Any events taking place after the accounts are authorised for issue on 21 September 2016 are not reflected in the Statement of Accounts.

H Exceptional Items

When items of income and expense are material, their nature and amount is disclosed, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Financial Instruments

I Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. For the short term borrowing that the Authority has, the amount presented in the Balance Sheet is the outstanding principal payable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure statement is the amount payable for the year. Other financial liabilities are trade payables. These are carried on the Balance Sheet at their fair value which is taken to be the invoiced amount and no instruments are held at amortised cost

J 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 and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. If it is appropriate, they are then measured at their amortised cost (if, for example, the Authority incurred significant transaction costs which need to be written-off or an investment was bought for other than its par value). 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. 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 under the terms of the loan.

Where loans are advanced at below market rates, they are classed as ‘Soft Loans’ and specific accounting requirements apply to them. The Authority has a very small number of car loans to employees and other loans to voluntary organisations to encourage leisure activities and economic development. The impact of accounting fully for the losses on these loans is considered to be immaterial and the special accounting requirements have not been applied.

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 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.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority 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.

Assets are maintained in the Balance Sheet at fair value based on the quoted market price. Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement.

It is the Authority’s policy to hold these assets until maturity at which time the fair value of the asset will be equal to the nominal value. If the asset were to be sold prior to maturity, any gain or loss would be recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

K Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of 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 payables. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Where general (non-ring fenced) revenue grants are allocated to the Authority by Central Government these are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

L Intangible Assets

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

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines 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 lines 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 with proceeds greater than £10,000 the Capital Receipts Reserve.

M Inventories and Work in Progress

Inventories including coast protection materials and stationery are included in the Balance Sheet at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

N Investment Properties

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 annually according to market conditions at the year-end. 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 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.

O 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 return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Authority 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 Authority 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 years 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.

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision 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 benefitting 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 Authority as Lessor</u>

Finance Leases

Where the Authority 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 Authority'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 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 liability (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 will be 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 paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. 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 fixed 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.

Operating Leases

Where the Authority 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.

P Overheads and Support Services

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

- Corporate and Democratic Core - costs relating to the Authority's status as a multifunctional, democratic organisation;
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

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.

Q Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority 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.

A de-minimus level of £10,000 is applied to expenditure on assets.

Measurement

Assets are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Authority. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Surplus assets – fair value, determined by the measurement of the highest and best use value of the asset
- All other assets - fair value, determined, 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 is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are re-valued 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. Valuations are carried out either by an internal or external qualified valuer.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- 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 insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

<u>Impairment</u>

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 as follows:

- 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 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>Disposals</u>

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.

Assets Held for Sale are:

- immediately available for sale;
- where the sale is highly probably;
- actively marketed;

- expected to be sold within 12 months.

The asset is re-valued 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 previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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 Properly, 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 generally categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. 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 fixed 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.

<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).

Deprecation is calculated on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by the valuer (typically 30 to 100 years);
- Vehicles, plant and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. The maximum useful life is 10 years and the minimum 4 years typically most assets have a useful life of 5 years;
- Infrastructure – straight line allocation over 20 years.
- Community and Surplus assets – The land element of these is not depreciated, any property is depreciated over its useful life.

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.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant (i.e. more than 30%) in relation to the total cost of the item, the components are depreciated separately.

Componentisation is considered for all new valuations, enhancement expenditure and acquisition expenditure carried out on or after 1 April 2011. Where a component is replaced or restored (i.e. enhancement expenditure) the carrying amount of the old component shall be de-recognised before reflecting the enhancement.

The Authority recognises the following levels of components:

- Substructure
- Superstructure
- Internal services
- External works

Componentisation is not applicable to land as land is non-depreciable and is considered to have an infinite life.

R Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority 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 but where there is uncertainty around the timing.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and 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. Where the obligation is expected to be settled within 12 months of the Balance Sheet date the provision is recognised as a Current Liability in the Balance Sheet. Other provisions are recognised as Long Term Liabilities.

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 and 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 Authority settles the obligation.

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 Authority settles the obligation. Provisions for bad and doubtful debts are maintained in respect of possible losses from non-collection of amounts owing to the Authority. This includes Council Tax, Business Rates and other income. The provisions are recalculated each year based on age and category of outstanding debt at the end of the financial year, reflecting historical collection patterns, and are included in the Balance Sheet as an adjustment to receivables.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

S Reserves

The Authority 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 and included against the Surplus/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 benefits and that do not represent usable resources for the Authority - these Unusable Reserves are explained elsewhere within the Accounting Statements.

T Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 Authority 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.

U 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.

V Council Tax and Non-domestic Rate Income

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). In its capacity as a billing authority, the Authority acts as an agent collecting and distributing Council Tax and NDR income on behalf of the major preceptors and itself.

From 1 April 2009, the Authority has been required to show Council Tax income in the Comprehensive Income and Expenditure Account as accrued income.

From 1 April 2013, the Authority has been required to show Non-Domestic Rate income in the Comprehensive Income and Expenditure Account as accrued income.

The Authority’s share of Collection Fund income and expenditure is recognised in the Comprehensive Income and Expenditure Statement in the Taxation and Non-Specific Grant Income and Expenditure section.

W Fair Value measurement

The Authority measures some of its non - financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either;

a) in the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority uses a combination of internal and external Valuers to provide valuations for its assets and liabilities in line with the highest and best use definition within the accounting standard. They are therefore using the same assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. This would take into account the markets participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date,

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,

Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the UK 2015/16 has introduced the following changes in accounting policy, which will need to be adopted fully by the Authority in the 2015/16 financial statements from 1 April 2016 :

- IFRIC 21 Levies - This standard provides guidance on the recognition of liabilities to pay levies (in line with IAS 37 Provisions, contingent liabilities & contingent assets). This is not expected to have any material impact on the Authority.

- Annual Improvements to IFRSs 2011-2013 Cycle – These improvements are minor and are mainly focused on providing clarification and is not expected to have any impact on the Council.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Asset Categorisation - The Code classifies assets according to certain criteria. For example investment properties are classified as those assets that are held primarily to generate rental income or for capital appreciation, surplus assets are those assets that are surplus to service needs and do not meet the criteria for investment property or assets held for sale. Assets held for sale is usually restricted to property that is expected to be sold in 12 months. For the Authority, industrial rental units have been treated as other land and buildings based on the judgement that they are held for a service objective of Economic Development and regeneration.
- NNDR appeals- are estimates made for the expected loss of income as a result of successful appeals based on currently outstanding appeals

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Asset valuation in the current economic climate is subject to significant stress. Impairment reviews by the Authority of its asset base have been undertaken in a robust way to reflect the changes in its asset values. Depreciation charges are related to the useful life of the assets and dependant on the level of repairs and maintenance that will be incurred in relation to individual assets.	It is important that the asset values in the Balance Sheet are kept under review. If the useful lives of the assets are reduced depreciation increases and the carrying value of the assets falls. Whilst there is a risk in any valuation exercise changes to useful lives and depreciation do not impact the Authority’s useable reserves as depreciation charges do not fall on the Tax payer.

Fair Value Measurements	Where the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or, the discounted cash flow). Where possible these inputs are based on observable data, but where this is not possible judgement is required in establishing fair values. This will typically include considerations such as uncertainty and risk. However changes to the assumptions used could affect the fair value of the Authority's assets and liabilities. Where Level 1 inputs are not available, the Authority has used relevant experts to identify the most appropriate valuation technique to determine fair value.	The authority uses the discounted cash flow (DCF), and 'market approach' (as defined in paragraphs B5 to B7 of IFRS 13) to measure the fair value of its assets. The inputs to this latter technique constitute Level 2 inputs, which are observable for the asset either directly or indirectly. If there were to be significant unobservable inputs, this could result in a significantly lower or higher fair value measurement for the investment properties and financial assets.
Pensions Liability	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 employed by the pension schemes administrators to provide expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured, for example a 0.5% decrease in the real discount rate assumption would result in an increase of 10% in the pension liability which is approximately £8.876m. (i) A one year increase in member life expectancy would result in an increase of 3% in the pension liability which is approximately £2.764m. (ii) If salaries were to increase by 0.5% more than anticipated, the pension liability would increase by 3%, approximating to £2.423m. (iii) If pensions payable were to increase by 0.5% more than anticipated, the pension liability would increase by 7%, approximating to £6.354m.

5. Movement in Reserves Statement - 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2015/16	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Movement in Unusable Reserves**
	£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	(870)	0	0	870
Revaluation losses on Property, Plant and Equipment	1,277	0	0	(1,277)
Movements in the market value of Investment Properties	(52)	0	0	52
Amortisation of intangible assets	73	0	0	(73)
Capital Grants and Contributions that have been applied to capital financing	(2,103)	0	0	2,103
Revenue Expenditure Funded from Capital Under Statute	600	0	0	(600)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,138)	0	0	1,138
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(330)	0	0	330
Capital expenditure charged against the General Fund	(970)	0	0	970

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,399	0	(1,399)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(939)	0	939
Adjustments involving the Pensions Reserve				
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	3,236	0	0	(3,236)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,864)	0	0	1,864
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	(114)	0	0	114
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	41	0	0	(41)
Total Adjustments	**(2,214)**	**459**	**0**	**1,755**

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,570	0	0	(1,570)
Revaluation losses on Property, Plant and Equipment	549	0	0	(549)
Movements in the market value of Investment Properties	12	0	0	(12)
Amortisation of intangible assets	143	0	0	(143)
Capital Grants and Contributions that have been applied to capital financing	(3,335)	0	0	3,335
Revenue Expenditure Funded from Capital Under Statute	237	0	0	(237)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(950)	0	0	950
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(306)	0	0	306
Capital expenditure charged against the General Fund	(368)	0	0	368

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve				
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	0	950	0	(950)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,125)	0	1,125
Adjustments involving the Pensions Reserve				
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	2,832	0	0	(2,832)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,707)	0	0	1,707
Adjustments involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax income calculated for the year in accordance with statutory requirements	534	0	0	(534)
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)	0	0	14
Total Adjustments	**(803)**	**(175)**	**0**	**978**

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.

Capital Receipts Reserve – The Capital Receipt 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 these purposes.

Capital Grants Unapplied – The capital Grants Unapplied Account holds grants and contributions received towards capital projects from which the Authority 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.

6. Movement in Reserves Statement – Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
Asset Management	48	(14)	27	61	(14)	108	155
Benefits	722	(50)	50	722	(185)	21	558
Big Society Fund	969	(651)	467	787	(10)	256	1,033
Broadband	0	0	1,000	1,000	0	0	1,000
Building Control	46	0	75	121	0	25	146
Business Rate Retention	327	0	1,252	1,579	(188)	635	2,026
Capital Projects Reserve	1,881	0	795	2,676	(721)	380	2,335
Coast Protection	243	(243)	237	237	(84)	20	173
Common Training	77	(50)	0	27	0	21	48
Economic Development & Regeneration	51	(1)	67	116	(25)	24	116
Election Reserve	75	(15)	30	90	(120)	43	13
Enforcement Board	147	(88)	88	147	(36)	0	111
Environmental Health	66	(45)	20	41	(5)	164	200
Grants	238	(240)	330	328	(64)	147	411
Grassed Area Deposits	349	0	0	349	0	0	349
Housing	100	(15)	17	102	(26)	0	76
Land Charges	40	0	49	89	0	127	216
Legal	49	(5)	30	74	(64)	70	80
Local Strategic Partnership	52	0	0	52	(52)	0	0
LSVT Reserve	435	0	0	435	0	0	435
New Homes Bonus	1,287	(469)	298	1,116	(119)	421	1,418

	Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
Organisational Development	108	(82)	90	116	(74)	0	42
Pathfinder	240	(104)	71	207	0	0	207
Planning - Revenue	301	(102)	177	376	(86)	105	395
Restructuring and Invest to Save	923	(314)	639	1,245	(275)	905	1,875
Sports Hall Equipment/Sports Facilities	30	(16)	12	26	0	2	28
Treasury (Property) Reserve	66	0	0	66	0	0	66
Total	**8,870**	**(2,504)**	**5,821**	**12,187**	**(2,148)**	**3,473**	**13,512**

Total transfers out during 2015/16	**(2,148)**
Total transfers in during 2015/16	**3,473**
Net Movement in Earmarked Reserves in 2015/16	**1,325**

The purpose of each earmarked reserves is explained below:

Asset Management - To support improvements to our existing assets as identified through the Asset Management Plan.

Benefits - To mitigate any claw back by the Department of Works and Pensions following final audited subsidy determination.

Big Society Fund (BSF) – To support projects that communities identify where they will make a difference to the economic and social wellbeing of the area. This is funded from the return of the second homes funding from Norfolk County Council.

Building Control – Ring- fenced to cover any future deficits on the building control service.

Business Rates Retention – To be used to mitigate the impact of final claims and appeals in relation to Business Rates Retention scheme.

Capital Projects Reserve - To provide funding for capital projects. This includes the VAT shelter income that is received in the year and not yet spent on projects.

Coast Protection - To support the on-going coast protection maintenance programme.

Common Training - To deliver the corporate training and development programme.

Economic Development and Regeneration: Service underspends rolled forward that relate to one off projects or expenditure not budgeted for in future years, including learning for everyone.

Election Reserve - Established to meet costs associated with district council elections, to smooth the impact between financial years.

Environmental Health - Earmarking of underspends and additional income to meet Environmental Health.

Grants – Earmarking of grants received in the year for which expenditure is yet to be incurred, for example due to the timing of the receipt.

Grassed Area Deposits - To finance ongoing commitments in relation to grounds maintenance contracts.

Housing – Includes homelessness grant funding received in previous years that had been earmarked for related projects.

Land Charges – To mitigate the impact of potential income reductions for the service.

Legal – Includes funding for Compulsory Purchase Order (CPO) work and other one-off work.

Local Strategic Partnership – Ring fenced from the former Local Strategic Partnership, earmarked for ongoing liabilities.

LSVT Reserve – To meet the cost of successful warranty claims not covered by bonds and insurance following the housing stock transfer.

New Homes Bonus (NHB) – Established for supporting communities with future growth and development and Plan review.

Organisational Development - To provide funding for organisation development to create capacity within the organisation.

Pathfinder - To help Coastal Communities adapt to coastal changes. The balance represents grant funding that has been received that has been fully allocated to projects to deliver the Pathfinder objectives but has not yet been spent.

Planning – Additional Planning Income earmarked for Planning Initiatives including Plan Business Process Review.

Restructuring and Invest to Save - To be used for restructuring costs including one-off redundancy and pension strain costs and invest to save projects that will deliver efficiency savings.

Sports Hall Equipment and Sports Facilities - To support renewals for sports hall equipment. Transfers in the year represents over or under achievement of income target.

Treasury (Property) – To smooth the impact of fluctuations in returns from property investment.

7. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2014/15 £000		2015/16 £000
1,635	Parish Council Precepts	1,760
6	(Gains) Losses on Trading Operations (Note 17)	43
(950)	(Gains) on the disposal of non-current assets	(1,138)
691	**Total**	**665**

8. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
115	Interest payable and similar charges	91
1,358	Pensions interest cost and expected return on pensions assets	1,251
(418)	Interest receivable and similar income	(514)
12	Changes in the fair value of investment property	(52)
1,067	**Total**	**776**

9. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
(6,841)	Council Tax Income	(7,119)
(3,570)	Non Domestic Rates	(3,820)
(3,354)	Revenue Support Grant	(2,418)
(1,454)	Other Non ringfenced government grants	(1,763)
(3,335)	Capital grants and contributions	(2,103)
(18,554)	**Total**	**(17,223)**

10. Balance Sheet – Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

11. Balance Sheet – Unusable Reserves

The following provides a summary of the details of the Authority's unusable reserves. Further details on each of the reserves are provided below.

2014/15 £000		2015/16 £000
16,176	Revaluation Reserve	16,063
1,099	Available for Sale Financial Instruments Reserve	1,398
32,971	Capital Adjustment Account	36,296
(39,012)	Pensions Reserve	(30,828)
(401)	Collection Fund Adjustment Account	(287)
(193)	Accumulated Compensated Absences Adjustment Account	(234)
10,639	**Total Unusable Reserves**	**22,408**

11(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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 that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15 £000		2015/16 £000
15,742	**Balance at 1 April**	**16,176**
1,652	Upward revaluation of assets	2,491
(1,097)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(2,479)
(121)	Difference between fair value depreciation and historical cost depreciation	(126)
16,176	**Balance at 31 March**	**16,063**

11(b) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

2014/15 £000		2015/16 £000
411	**Balance at 1 April**	**1,099**
688	(Downward)/upward revaluation of investments not charged to the surplus/deficit on the provision of services	299
1,099	**Balance at 31 March**	**1,398**

11(c) 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 Authority 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 Authority.

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

2014/15 £000		2015/16 £000
30,227	**Balance at 1 April**	**32,971**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,570)	Charges for depreciation and impairment on non-current assets	870
(549)	Revaluation losses on Property, Plant and Equipment	(1,277)
(143)	Amortisation of tangible assets	(73)
(237)	Revenue expenditure funded from capital under statute	(600)
0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(261)
27,728		31,630
121	Adjusting amounts written out of the revaluation reserve	271
27,849	Net written out amount of the cost of non current assets consumed in the year	31,901
	Capital financing applied in the year:	
1,125	Use of capital receipts reserve to finance new capital expenditure	939
3,335	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statements that have been applied to capital financing	2,103
306	Statutory provision for the financing of capital investment charged against the general fund balance	330
368	Capital expenditure charged against the general fund balance	970
32,983		36,244
(12)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	52
32,971	**Balance at 31 March**	**36,296**

11(d) 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 Authority 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 Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The deficit on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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 £000		2015/16 £000
(31,716)	**Balance at 1 April**	**(39,012)**
(6,171)	Actuarial gains/(losses) on pensions assets and liabilities	9,556
(2,832)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(3,236)
1,707	Employer's pension contributions and direct payments to pensioners payable in the year	1,864
(39,012)	**Balance at 31 March**	**(30,828)**

11(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rate income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15 £000		2015/16 £000
133	**Balance at 1 April**	**(401)**
(534)	Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	114
(401)	**Balance at 31 March**	**(287)**

11(f) Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences, e.g. annual leave, earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15 £000		2015/16 £000
(207)	**Balance at 1 April**	**(193)**
207	Settlement or cancellation of an accrual made at the end of the preceding year	193
(229)	Amounts accrued at the end of the current year	(272)
36	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	38
(193)	**Balance at 31 March**	**(234)**

12. Cash Flow Statement – Arising from Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
413	Interest Received	605
(115)	Interest Paid	(91)
298	**Net cash flows from operating activities**	**514**

2014/15 £000	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2015/16 £000
1,570	Depreciation	(870)
561	Impairment and downward valuations	1,277
143	Amortisation	73
0	Adjustment movements in fair value of investments classified as Fair Value through Profit & Loss a/c	0
(102)	Increase in Creditors	444
(6)	(Decrease) in Interest and Dividend Debtors	91
(5,740)	Increase / (Decrease) in Debtors	6,544
(11)	Increase / (Decrease) in Inventories	(1)
1,124	Movement in Pension Liability	1,372
0	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	114
0	Movement in Investment Property Values	(52)
(2,461)		**8,992**

2014/15 £000	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2015/16 £000
(99)	Capital Grants credited to surplus or deficit on the provision of services	116
0	Net adjustment from the sale of short and long term investments	0
(950)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,398)
(1,049)		**(1,282)**

13. Cash Flow Statement – Investing Activities

2014/15 £000		2015/16 £000
(3,362)	Purchase of property, plant and equipment, investment property and intangible assets	(2,298)
(46,131)	Purchase of short-term and long-term investments	(64,614)
950	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,398
43,075	Proceeds from short-term and long-term investments	53,892
745	Other receipts from investing activities	(9)
(4,723)	**Net cash flows from investing activities**	**(11,631)**

14. Cash Flow Statement – Financing Activities

2014/15 £000		2015/16 £000
0	Other receipts from financing activities	0
(1,634)	Cash payments for the reduction of the outstanding liabilities relating to finance leases.	(1,328)
0	Repayments of short-term and long-term borrowing	0
387	Other payments for financing activities	604
(1,247)	**Net cash flows from financing activities**	**(724)**

15. Cash Flow Statement – Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2014/15 £000		2015/16 £000
3	Cash held by officers	3
(437)	Bank current accounts	(826)
5,037	Call Accounts with Banks and investments in Money Market Funds	4,629
4,603	**Total cash and cash equivalents**	**3,806**

16. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Service Areas. These reports are prepared on a different basis from the accounting policies used in the financial statements

The income and expenditure of the Authority's principal Service Areas recorded in the budget reports for the year is as follows:

Service Area Income and Expenditure - 2015/16	Assets & Leisure £000	CLT / Corporate £000	Customer Services £000	Community, Economic Development & Coastal £000	Organisational development £000
Fees, charges and other services income	(4,611)	(1,308)	(2,641)	(1,839)	(1,307)
Government Grants	0	0	0	(437)	0
Total Income	**(4,611)**	**(1,308)**	**(2,641)**	**(2,276)**	**(1,307)**
Employee Expenses	966	893	1,209	861	922
Pension Fund Accounting Entries (Included in reporting to management)	44	40	49	41	35
Other service expenses	3,031	189	748	614	864
Depreciation, amortisation and impairment (Included in reporting to management)	(348)	0	329	1,484	49
Support service expenses	1,441	186	1,057	1,330	493
Total Expenditure	**5,134**	**1,308**	**3,392**	**4,330**	**2,363**
Net Expenditure	**523**	**0**	**751**	**2,054**	**1,056**

16. Amounts Reported for Resource Allocation Decisions (continued)

Service Area Income and Expenditure - 2015/16 Cont'd	Environmental Health	Finance	Development Management	Total
	£000	£000	£000	£000
Fees, charges and other services income	(3,079)	(2,440)	(2,136)	**(19,361)**
Government Grants	(282)	(28,170)	0	**(28,889)**
Total Income	**(3,361)**	**(30,610)**	**(2,136)**	**(48,250)**
Employee Expenses	1,241	2,106	1,756	**9,954**
Pension Fund Accounting Entries (Included in reporting to management)	59	(225)	78	**121**
Other service expenses	4,532	28,892	498	**39,368**
Depreciation, amortisation and impairment (Included in reporting to management)	172	23	25	**1,734**
Support service expenses	732	2,685	1,117	**9,041**
Total Expenditure	**6,736**	**33,481**	**3,474**	**60,218**
Net Expenditure	**3,375**	**2,871**	**1,338**	**11,968**

Service Area Income and Expenditure - 2014/15	Assets & Leisure £000	CLT / Corporate £000	Customer Services £000	Community, Economic Development & Coastal £000	Organisational development £000
Fees, charges and other services income	(4,648)	(1,052)	(2,574)	(2,520)	(862)
Government Grants	0	0	0	(466)	0
Total Income	**(4,648)**	**(1,052)**	**(2,574)**	**(2,986)**	**(862)**
Employee Expenses	974	730	1,293	848	634
Pension Fund Accounting Entries (Included in reporting to management)	5	4	6	4	3
Other service expenses	3,515	151	826	1,337	632
Depreciation, amortisation and impairment (Included in reporting to management)	1,161	0	170	846	2
Support service expenses	1,408	166	856	1,115	427
Total Expenditure	**7,063**	**1,051**	**3,151**	**4,150**	**1,698**
Net Expenditure	**2,415**	**(1)**	**577**	**1,164**	**836**

16. Amounts Reported for Resource Allocation Decisions (continued)

Service Area Income and Expenditure - 2014/15 Cont'd	Environmental Health	Finance	Development Management	Total
	£000	£000	£000	£000
Fees, charges and other services income	(3,620)	(2,195)	(2,146)	**(19,617)**
Government Grants	0	(28,325)	0	**(28,791)**
Total Income	**(3,620)**	**(30,520)**	**(2,146)**	**(48,408)**
Employee Expenses	1,223	2,092	1,591	**9,385**
Pension Fund Accounting Entries (Included in reporting to management)	6	(269)	8	**(233)**
Other service expenses	4,985	28,771	520	**40,737**
Depreciation, amortisation and impairment (Included in reporting to management)	292	43	50	**2,564**
Support service expenses	727	2,526	1,070	**8,295**
Total Expenditure	**7,233**	**33,163**	**3,239**	**60,748**
Net Expenditure	**3,613**	**2,643**	**1,093**	**12,340**

Reconciliation of Service Area Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Service Area income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15 £000		2015/16 £000
12,340	Net expenditure in the Service Area analysis	11,968
(120)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(65)
90	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	31
12,310	**Cost of Services in Comprehensive Income and Expenditure Statement**	**11,934**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Area 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.

2015/16	Service Area Analysis	Services and Support Services not in Analysis	Amounts not reported to management	Amounts not included in I&E	Allocation of recharges	Cost of Services (sub total)	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other services income	(19,361)	0	0	0	(550)	**(19,911)**	(174)	**(20,085)**
Interest and investment income	0	0	0	0	0	**0**	(520)	**(520)**
Income from council tax	0	0	0	0	0	**0**	(7,068)	**(7,068)**
Government grants and contributions	(28,889)	0	0	20	0	**(28,869)**	(10,155)	**(39,024)**
Total Income	**(48,250)**	**0**	**0**	**20**	**(550)**	**(48,780)**	**(17,917)**	**(66,697)**
Employee Expenses	9,954	0	41	0	4,981	**14,976**	14	**14,990**
Pension Fund Accounting Entries	121	0	0	0	0	**121**	1,251	**1,372**
Other service expenses	39,368	0	(106)	(41)	4,610	**43,831**	203	**44,034**
Support service recharges	9,041	0	0	0	(9,041)	**0**	0	**0**
Depreciation, amortisation and impairment	1,734	0	0	52	0	**1,786**	(52)	**1,734**
Interest Payments	0	0	0	0	0	**0**	97	**97**
Precepts and levies	0	0	0	0	0	**0**	1,760	**1,760**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	(1,138)	**(1,138)**
Total Expenditure	**60,218**	**0**	**(65)**	**11**	**550**	**60,714**	**2,135**	**62,849**
Surplus or deficit on the provision of services	**11,968**	**0**	**(65)**	**31**	**0**	**11,934**	**(15,782)**	**(3,848)**

2014/15 (Comparative Figures)	Service Area Analysis	Services and Support Services not in Analysis	Amounts not reported to management	Amounts not included in I&E	Allocation of recharges	Cost of Services (sub total)	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other services income	(19,617)	0	0	0	(384)	**(20,001)**	(175)	**(20,176)**
Interest and investment income	0	0	0	0	0	**0**	(424)	**(424)**
Income from council tax	0	0	0	0	0	**0**	(6,795)	**(6,795)**
Government grants and contributions	(28,791)	0	0	107	0	**(28,684)**	(11,759)	**(40,443)**
Total Income	**(48,408)**	**0**	**0**	**107**	**(384)**	**(48,685)**	**(19,153)**	**(67,838)**
Employee Expenses	9,385	0	(14)	0	4,563	**13,934**	12	**13,946**
Pension Fund Accounting Entries	(233)	0	0	0	0	**(233)**	1,358	**1,125**
Other service expenses	40,737	0	(106)	(5)	4,116	**44,742**	169	**44,911**
Support service recharges	8,295	0	0	0	(8,295)	**0**	0	**0**
Depreciation, amortisation and impairment	2,564	0	0	(12)	0	**2,552**	12	**2,564**
Interest Payments	0	0	0	0	0	**0**	121	**121**
Precepts and levies	0	0	0	0	0	**0**	1,635	**1,635**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	(950)	**(950)**
Total Expenditure	**60,748**	**0**	**(120)**	**(17)**	**384**	**60,995**	**2,357**	**63,352**
Surplus or deficit on the provision of services	**12,340**	**0**	**(120)**	**90**	**0**	**12,310**	**(16,796)**	**(4,486)**

17. Trading Operations

The Authority runs two service areas as trading services. Details of those services are as follows:

		2014/15		2015/16	
		£000	£000	£000	£000
The Council currently operates three general produce markets on two car park sites in Sheringham and Cromer. They are provided to meet local demands and to promote tourism. The trading objective is to minimise the deficit relating to the service.	Turnover	(60)		(61)	
	Expenditure	128		121	
	Deficit		**68**		**60**
The Council lets a total of 17 industrial units over three sites in Fakenham, North Walsham and Catfield. The Catfield and Fakenham sites include starter units which were developed jointly with EEDA, to provide opportunities for local business start ups and developments. The trading objective is to minimise the deficit relating to the service.	Turnover	(114)		(113)	
	Expenditure	81		124	
	Deficit / (Surplus)		**(33)**		**11**
Net (surplus) / deficit on trading operations:			**35**		**71**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. refuse collection), whilst others are support services to the Council's services to the public. The expenditure of these operations is allocated or recharged to headings in the net operating expenditure of continuing operations. Only a residual amount of the net surplus on trading operations is charged as other operating expenditure (see Note 7):

The increased deficit is due to reduced rental income combined with additional repairs and maintenance costs. There were also additional capital depreciation charged to the account due to a number of the premises being subject to upward revaluations in 2015/16.

	2014/15	2015/16
	£000	£000
Net deficit/(surplus) on trading operations	35	71
Services to the public included in expenditure of continuing operations	(29)	(28)
Net deficit / (surplus) debited / (credited) to other operating expenditure	**6**	**43**

18. 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 to non-audit services provided by the Authority's external auditors:

	2014/15 PWC £000	2014/15 Audit Commission £000	2014/15 Ernst Young £000	2014/15 Total £000	2015/16 PWC £000	2015/16 Audit Commission £000	2015/16 Ernst Young £000	2015/16 Total £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	71	(6)	0	**65**	7	0	60	**67**
Fees payable for the certification of grant claims and returns for the year	46	0	0	**46**	(5)	0	32	**27**
Total	**117**	**(6)**	**0**	**111**	**2**	**0**	**92**	**94**

19. Members Allowances

The Authority paid the following amounts to members of Authority during the year. Full details can be obtained by writing to, Information Services, Holt Road, Cromer, Norfolk, NR27 9EN.

2014/15 £		2015/16 £
257,068	Allowances	267,823
27,882	Expenses	31,120
284,950		**298,943**

20. Officers' Remuneration

The following table sets out the remuneration paid to the Authority's senior officers. A senior officer is defined as being a statutory chief officer as defined in the LGHA 1989 section 2(6); a non-statutory Chief officer as defined in the LGHA 1989 section 2(7); or someone with responsibility for the management of the Authority, being able to direct or control its major activities, whether solely or collectively.

Job Title		Salary, Fees and Allowance £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Sub-total	Pension Contribution £	Total £
1st April 2015 to 31st March 2016								
Chief Executive	2015/16	108,358	0	963	0	109,321	15,712	**125,033**
Corporate Director	2015/16	78,853	0	963	0	79,816	11,434	**91,250**
Corporate Director	2015/16	78,853	0	963	0	79,816	11,434	**91,250**
Section 151 Officer	2015/16	61,920	0	963	0	62,883	8,978	**71,861**
1st April 2014 to 31st March 2015								
Chief Executive	2014/15	99,771	0	963	0	100,734	14,460	**115,194**
Corporate Director	2014/15	77,693	0	963	0	78,656	11,266	**89,922**
Corporate Director	2014/15	77,693	0	963	0	78,656	11,266	**89,922**
Section 151 Officer	2014/15	57,556	0	963	0	58,519	8,346	**66,865**

Since November 2015 the Chief Executive and Section 151 Officer have been shared with Great Yarmouth Borough Council and the costs of remuneration and expenses are recharged accordingly. For 2015/16 the recharge to GYBC was £34,411 for the Chief Exeuctive and £20,415 for the Section 151 Officer.

The number of employees not falling into the category of senior officers shown above whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 were:

2014/15 Number of Employees	Remuneration Band	2015/16 Number of Employees
2	£50,000 - £54,999	2
1	£55,000 - £59,999	2
0	£60,000 - £64,999	1
0	£65,000 - £69,999	1

21. Exit Packages

The number of exit packages agreed with the total cost per band and total cost of the compulsory and other are set out in the table below.

	2014/15				2015/16			
Bandings	**Compulsory Redundancies Number of Employees**	**Other Departures Number of Employees**	**Total Number of Employees**	**Total Amount £**	**Compulsory Redundancies Number of Employees**	**Other Departures Number of Employees**	**Total Number of Employees**	**Total Amount £**
£0 to £20,000	8	1	9	68,961	3	4	7	58,633
£20,001 to £40,000	1	0	1	26,045	1	2	3	73,095
£40,001 to £60,000	0	0	0	0	0	0	0	0
£60,001 to £80,000	0	0	0	0	0	0	0	0
£80,001 to £100,000	0	0	0	0	0	0	0	0
	9	**1**	**10**	**95,006**	**4**	**6**	**10**	**131,728**

22. 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 and this needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post- employment schemes:

- The Local Government Pension Scheme, administered locally 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 final arrangement; under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post-employment benefits

The Authority 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 we are 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 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:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2014/15 £000	Local Government Pension Scheme 2015/16 £000
Cost of Services:		
Current service cost	1,469	1,971
Past Service Costs loss	5	14
Financing and Investment Income and Expenditure:		
Interest cost	3,681	3,183
Expected return on scheme assets	(2,323)	(1,932)
Total post-employment benefit charged to the surplus/deficit on the provision of services	**2,832**	**3,236**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:		
Actuarial gains and (losses)	(6,171)	9,556
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	**3,339**	**(12,792)**
Movement in Reserves Statement:		
Reversal of net charges made to the surplus/deficit for the provision of services for post-employment benefits in accordance with the code	(2,832)	(3,236)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	**1,707**	**1,864**

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2016 is a loss of £20.992m (£30.548m at 31 March 2015).

Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities Local Government Pension Scheme 2014/15 £000	Funded Liabilities Local Government Pension Scheme 2015/16 £000
Opening Balance at 1 April	86,297	99,920
Current service cost	1,469	1,971
Interest cost	3,681	3,183
Contributions by scheme participants	433	464
Actuarial (gains) and losses	11,215	(10,033)
Benefits paid	(2,917)	(3,126)
Unfunded Benefits paid	(263)	(259)
Past service costs	5	14
Closing Balance at 31 March	**99,920**	**92,134**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme 2014/15 £000	Local Government Pension Scheme 2015/16 £000
Opening balance at 1 April	54,581	60,908
Expected rate of return	2,323	1,932
Actuarial gains	5,033	(455)
Employers contributions	1,455	1,583
Contributions by scheme participants	433	464
Contributions in respect of Unfunded Benefits	263	259
Benefits paid	(2,917)	(3,126)
Unfunded Benefits paid	(263)	(259)
Closing balance at 31 March	**60,908**	**61,306**

Fair Value of Employer Assets

	31 March 2015				31 March 2016			
	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets	Quoted Prices in active markets £(000)	Quoted Prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
ASSET CATEGORY								
Equity Securities:								
Consumer	2,618.6	0.0	2,618.6	4%	4,399.5	0.0	4,399.5	7%
Manufacturing	3,230.8	0.0	3,230.8	5%	3,194.7	0.0	3,194.7	5%
Energy & Utilities	1,341.2	0.0	1,341.2	2%	1,376.8	0.0	1,376.8	2%
Financial Institutions	3,917.0	0.0	3,917.0	6%	4,011.4	0.0	4,011.4	7%
Health & Care	2,059.7	0.0	2,059.7	3%	1,958.0	0.0	1,958.0	3%
Information Technology	2,069.6	0.0	2,069.6	3%	1,844.0	0.0	1,844.0	3%
Other	3,086.8	0.0	3,086.8	5%	0.0	0.0	0.0	0%
Debt Securities:								
Corporate Bonds (Investment Grade)	2,562.3	0.0	2,562.3	4%	0.0	0.0	0.0	0%
Corporate Bonds (Non-Investment Grade)	66.2	0.0	66.2	0%	0.0	0.0	0.0	0%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Private Equity:								
All	0.0	4,005.7	4,005.7	7%	0.0	3,941.6	3,941.6	6%

Fair Value of Employer Assets (cont'd)

	31 March 2015				31 March 2016			
	Quoted Prices in active markets £(000)	**Quoted Prices not in active markets £(000)**	**Total £(000)**	**Percentage of Total Assets**	**Quoted Prices in active markets £(000)**	**Quoted Prices not in active markets £(000)**	**Total £(000)**	**Percentage of Total Assets**
Real Estate:								
UK Property	0.0	6,469.2	6,469.2	11%	0.0	6,987.4	6,987.4	11%
Overseas Property	0.0	742.6	742.6	1%	0.0	944.8	944.8	2%
Investment Funds & Unit Trusts:								
Equities	24,515.0	0.0	24,515.0	40%	15,742.6	0.0	15,742.6	26%
Bonds	2,522.4	0.0	2,522.4	4%	15,771.9	0.0	15,771.9	26%
Derivatives:								
Foreign Exchange	53.9	0.0	53.9	0%	(189.6)	0.0	(189.6)	0%
Other	21.7	0.0	21.7	0%	0.0	0.0	0.0	0%
Cash & Cash Equivalents								
All	0.0	1,625.3	1,625.3	3%	0.0	1,322.9	1,322.9	2%

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

	2016	**2015**	**2014**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**	**£000**
Present Value of Liabilities:					
Local Government Pension Scheme	(87,892)	(95,208)	(81,765)	(80,213)	(69,675)
Unfunded obligations	(4,242)	(4,712)	(4,532)	(4,434)	(4,255)
Fair value of assets in the LGPS	61,306	60,908	54,581	52,807	47,536
(Deficit) in the scheme:					
Local Government Pension Scheme	(30,828)	(39,012)	(31,716)	(31,840)	(26,394)
Total	**(30,828)**	**(39,012)**	**(31,716)**	**(31,840)**	**(26,394)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £30.83m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2017 is £1.7m.

Basis for estimating assets and 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. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

In relation to the Commutation Adjustment, an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.
The principal assumptions used by the actuary have been:

	Local Government Pension Scheme 2014/15	Local Government Pension Scheme 2015/16
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.2%	3.5%
Bonds	3.2%	3.5%
Property	3.2%	3.5%
Cash	3.2%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1	22.1
Women	24.3	24.3
Longevity at 65 for future pensioners:		
Men	24.5	24.5
Women	26.9	26.9
Pension Increase Rate (CPI)	2.4%	2.2%
Rate of increase in salaries	3.3%	3.2%
Expected Return on Assets	3.2%	3.5%
Rate of discounting scheme liabilities	3.2%	3.5%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2015 %	31 March 2016 %
Equities	77	59
Bonds	8	26
Property	12	13
Cash	3	2
	100	**100**

History of experience gains and losses

The actuarial losses identified as movements on the Pensions Reserve in 2015/16 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2016;

	2016 %	2015 %	2014 %	2013 %	2012 %
Difference between the expected and actual return on assets	(0.7)	8.3	1.0	7.0	(5.7)
Experience gains and losses on liabilities	(1.8)	0.4	0.6	(0.0)	1.5

23. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on the 21 September 2016. Events taking place after the accounts are authorised for issue are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There have been no unadjusted events after the balance sheet date however it should be noted that the decision to leave the EU was taken on 23 June 2016 which is after the balance sheet date and before the accounts were authorised for issue. The impact of Brexit is a non-adjusting event after the balance sheet date, and specific issues for NNDC are of importance to the Council are as follows:

The valuation of investments - There is not currently clear guidance of what the impact of Brexit will have in the future on the valuation of investments (short and long-term) carried on the balance sheet or investments in funded pension schemes, such as the Local Government Pension Scheme, to which the authority contributes. It is however likely there will be an increased level of volatility and uncertainty over future investment performance. This could have a material impact on either investments held directly by the authority, or pension fund assets, and consequentially net liabilities, for which the authority accounts.

Reductions in interest rates – The impact of cuts in interest rates and future reductions may cause changes in the Council's future treasury management strategy or more fundamentally changing medium term financial plans and will be considered within the context of the future financial planning and budgeting processes.

Wider economy and potential impacts - The impact on future revenue streams and central government funding for local government is not yet known and again will need to be considered as part of future budget and financial planning work.

24. Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority 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 16 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2016 are shown in note 38.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 19. During 2015/16 works and services to the value of £365,537 were paid to drainage boards in which 13 members have an interest (£360,844 in 2014/15); £156,088 was paid to NORSE Environmental Waste Services with one Member being a director and a further £26,764 was paid to other entities in which 3 members had an interest. The Authority paid grants totalling £124,603 to voluntary organisations (£52,905 in 2014/15) in which 10 members had declared an interest. In all instances, the grants were made with proper consideration of declarations of interest. Income totalling £16,086 was received from entities in which 4 members had an 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' Interest, open to public inspection at the Council Offices during office hours.

Officers

Chief Officers have not disclosed any material transactions with related parties.

25. Leases

Authority as Lessee

Finance Leases

The Authority has determined that the contracts with Kier Services - Environmental for waste collection and related services, and with the Borough Council of King's Lynn and West Norfolk for car parks management, contain embedded finance leases in respect of the vehicles and equipment used on the contracts. A deferred liability has been set up for the estimated lease rental charges included in the contract payments made to the contractors, and the assets are recognised on the balance sheet at net book value.

The vehicles subject to the lease are carried as property, plant and equipment in the balance sheet at the following net amounts:

	31 March 2015 £000	31 March 2016 £000
Property, Plant and Equipment	1,147	833
	1,147	**833**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the acquisition of the vehicles and finance costs which will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2015 £000	31 March 2016 £000
Finance Lease Liabilities (Net present value of minimum lease payments):		
- Current	330	311
- Non current	998	688
Finance costs payable in future years	223	132
Minimum Lease Payments	**1,551**	**1,131**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Not later than one year	421	377	330	311
Later than one year and not later than five years	1,130	754	998	687
	1,551	**1,131**	**1,328**	**998**

Operating Leases

The Authority leases property, land, vehicles and items of equipment, including printing and telephony equipment, as part of a number of operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2015 £000	31 March 2016 £000
Not later than one year	60	58
Later than one year and not later than five years	162	111
Later than five years	9	8
	231	**177**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these Leases was:

	31 March 2015 £000	31 March 2016 £000
Minimum Lease Payments	74	87
Contingent Rents	25	28
	99	**115**

Authority as Lessor

Operating Leases

The Authority leases out properties under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for 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:

	31 March 2015	31 March 2016
	£000	£000
Not later than one year	(154)	(155)
Later than one year and not later than five years	(459)	(529)
Later than five years	(301)	(300)
	(915)	**(984)**

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.

26. Investment Properties

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

	2014/15	2015/16
	£000	£000
Rental income from investment property	0	94
Direct operating expenses arising from investment property	(26)	(111)
Net gain/(loss)	**(26)**	**(17)**

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

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

	2014/15 £000	2015/16 £000
Opening Balance	260	255
Additions:		
- Subsequent expenditure	0	177
Net gains/losses from fair value adjustments	(5)	419
Transfers:	0	209
Closing Balance	**255**	**1,060**

The changes identified in the table above are as a result of a property review which has resulted in a further two properties, namely Fakenham Connect and the Fakenham Community Centre being reclassified as investment properties. During the 2015/16 financial year they have been subject to significant alterations which have been undertaken specifically to accommodate tenants, and as such the properties are now retained specifically for income generation purposes.

Fair Value hierarchy

The Authority's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been measured using a market approach, which takes into account either direct or indirect observable inputs for the asset. These inputs took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

There has been no change in the valuation techniques used during the year for investment properties.

These assets have been revalued as at 31st March 2016, by DVS – Property Specialists.

27. Intangible Assets

The Authority 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. Intangible assets would include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to software currently used by the Authority are identified below:

	Internally Generated	Other Assets
5 years	None	All Software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £72,590 charged to revenue in 2015/16 (£143,274 in 2014/15) was charged to the following lines within the income statement; Central Services to the Public (£56,545), Environmental Services (£4,440), Planning Services (£4,435) and Housing Services (£7,170).

The movement on intangible asset balances during the year is as follows:

	2014/15			2015/16		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Opening Balance:						
Gross carrying amounts	0	1,277	1,277	0	1,334	1,334
Accumulated amortisation	0	(984)	(984)	0	(1,128)	(1,128)
Net carrying amount at start of year	**0**	**292**	**292**	**0**	**205**	**205**
Additions:						
- Purchases	0	57	57	0	39	39
Amortisation for the period	0	(143)	(143)	0	(73)	(73)
Closing Balance	**0**	**206**	**206**	**0**	**173**	**173**

There are no items of capitalised software that are individually material to the financial statements, and no significant contracts have been entered into during the financial year 2015/16.

28. Impairment Losses

An impairment review was undertaken by NPS Property Consultants, for the financial year 2015/16. The review identified that due to the type and use of properties, and taking into consideration their location with Norfolk and the Eastern region, it was not considered that any economic changes within the period would result in the assets being affected by economic impairment. As such the Authority has not recognised any impairment losses within the financial accounts for 2015/16 (£619,872 in 2014/15).

29. Property, Plant and Equipment

Movement on Balances

Movement in 2015/16:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2015	45,469	11,704	13,892	2,014	2,061	2,246	77,385
Additions	531	217	1,698	17	0	909	3,373
Revaluation increases/(decreases) recognised in the revaluation reserve	(1,784)	1,074	0	(43)	343	0	(410)
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(839)	(449)	0	(1,151)	(268)	0	(2,707)
Derecognition - disposals	(264)	0	0	0	(4)	0	(267)
Other movements in cost or valuation	(661)	(8)	417	1,118	(964)	(430)	(527)
At 31 March 2016	**42,454**	**12,538**	**16,007**	**1,955**	**1,169**	**2,725**	**76,848**

Movement in 2015/16:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment:							
At 1 April 2015	9,034	8,076	8,946	23	1,095	0	27,174
Depreciation charge	620	807	333	21	0	0	1,781
Depreciation written out to the surplus/deficit on the provision of services	(921)	(1,651)	0	0	0	0	(2,572)
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(319)	0	0	(257)	(765)	0	(1,341)
Derecognition - disposal	(6)	0	0	0	0	0	(6)
Other movements in depreciation and impairment	(76)	(2)	0	257	(300)	0	(122)
At 31 March 2016	**8,331**	**7,230**	**9,280**	**44**	**31**	**0**	**24,915**
Net Book Value							
At 31 March 2016	**34,123**	**5,307**	**6,727**	**1,911**	**1,138**	**2,725**	**51,931**
At 31 March 2015	**36,435**	**3,628**	**4,945**	**1,991**	**966**	**2,246**	**50,211**

Comparative Movements in 2014/15:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2014	44,230	11,223	11,554	350	2,058	3,317	72,732
Additions	876	484	2,337	142	3	693	4,535
Revaluation increases/(decreases) recognised in the revaluation reserve	726	0	0	0	0	0	726
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(460)	0	0	0	0	0	(460)
Derecognition - disposals	0	(148)	0	0	0	0	(148)
Other movements in cost or valuation	97	145	0	1,522	0	(1,764)	0
At 31 March 2015	**45,469**	**11,704**	**13,892**	**2,014**	**2,061**	**2,246**	**77,385**

.

Comparative Movements in 2014/15:

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment:							
At 1 April 2014	8,470	7,424	8,476	20	1,095	0	25,485
Depreciation charge	611	800	470	3	0	0	1,884
Depreciation written out to the surplus/deficit on the provision of services	(314)	0	0	0	0	0	(314)
Impairment losses/(reversals) recognised in the revaluation reserve	151	0	0	0	0	0	151
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	116	0	0	0	0	0	116
Derecognition - disposal	0	(148)	0	0	0	0	(148)
Derecognition - other	0	0	0	0	0	0	0
At 31 March 2015	**9,034**	**8,076**	**8,946**	**23**	**1,095**	**0**	**27,174**
Net Book Value							
At 31 March 2015	**36,435**	**3,628**	**4,945**	**1,991**	**966**	**2,246**	**50,211**
At 31 March 2014	**35,760**	**3,799**	**3,078**	**329**	**963**	**3,317**	**47,246**

Capital Commitments

As at 31 March 2016, the Authority has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years, budgeted to cost £6,735,484 in total. The major commitments relate to the following Schemes:

	2014/15	2015/16
	£	£
Cromer Pier and West Prom Refurbishment	0	78,413
Cromer 982 Coastal Protection Scheme	1,034,416	572,469
Surge Recovery	0	150,050
Sheringham West Coast Protection Scheme	309,539	211,539
Sheringham Gangway (FLAG)	67,827	32,753
	1,411,782	**1,045,224**

Revaluations

The Authority 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. During the intervening years reviews are conducted to ensure the carrying value of assets are not materially different from their fair values. Impairment reviews are also undertaken on the portfolio on an annual basis to ensure that the carrying value of assets is not overstated. For the 2015/16 accounts the programme of valuations have been carried out by the Authority's own internal Valuer, together with specific reviews by Norfolk Property Services, and the DVS – Valuation Office Agency. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset. Further details regarding the valuations are provided within the Statement of Accounting Policies which starts on page 16.

All revaluations have been undertaken as at 31st March 2016.

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	9,255	16,007	1,955	0	2,725	**29,942**
Valued at fair value as at:							
31 March 2016	23,142	3,283	0	0	1,169	0	**27,593**
31 March 2015	4,723	0	0	0	0	0	**4,723**
31 March 2014	14,588	0	0	0	0	0	**14,588**
31 March 2013	0	0	0	0	0	0	**0**
31 March 2012	0	0	0	0	0	0	**0**
Total Cost or Valuation	**42,454**	**12,538**	**16,007**	**1,955**	**1,169**	**2,725**	**76,848**

30. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15 £000	2015/16 £000
Opening Capital Financing Requirement	1,679	1,374
Capital Investment:		
Property, plant and equipment	4,535	3,106
Investment properties	0	267
Intangible assets	57	39
Revenue expenditure funded from capital under statute	237	600
Sources of finance:		
Capital receipts	(1,125)	(939)
Government grants and other contributions	(3,335)	(2,103)
Sums set aside from revenue:		
- direct revenue contributions	(368)	(970)
- MRP	(306)	(330)
Closing Capital Financing Requirement	**1,374**	**1,044**
Explanations of movements in year		
Assets acquired under finance leases	(306)	(330)
(Decrease) in Capital Financing Requirement	**(306)**	**(330)**

31. Assets Held for Sale

During the financial year, two assets have been reclassified as Assets Held for sale on the basis that they have been actively marketed and that a sale is anticipated within the 2016/17 financial year. These assets have been revalued as at the 31st March 2016.

	2014/15 £000	2015/16 £000
Balance Brought Forward	0	0
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	0	232
Assets Sold	0	0
Other Movements	0	158
Balance Carried Forward at Year End	**0**	**390**

32. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance outstanding at start of year	11	13	15	24	26	37
Purchases	49	46	11	0	60	46
Recognised as expenses in the year	(47)	(41)	(2)	(4)	(49)	(45)
Balance outstanding at year-end	**13**	**18**	**24**	**21**	**37**	**38**

33. Receivables

Receivables represent the amounts owed to the Authority at 31 March 2016 and are analysed below. The Authority makes an allowance for outstanding amounts for which recovery of receivables is not anticipated (bad debt provision). Receivables are shown net of the bad debt provision within the Balance Sheet. The movement on Central Government bodies relates to the balance of Department of Works and Pensions (DWP) Benefits Subsidy due to/(from) the authority as a result of the final subsidy claim and a number of capital contributions from the Environment Agency.

	31 March 2015	31 March 2016
	£000	£000
Central government bodies	7,642	1,643
Other local authorities	351	178
Other entities and individuals	2,238	2,066
Sub Total	**10,231**	**3,887**
Less: Bad Debt Provision		
General Fund	(834)	(961)
Collection Fund	(161)	(170)
Sub Total	**(995)**	**(1,131)**
Total	**9,236**	**2,756**

34. Payables

Payables represent the amounts owed by the Authority at 31 March 2016. In 2014/15 the Business rates appeals provision (£334,914) was included as a Payable under Other entities and Individuals. This figure has now been removed and forms part of note 35 shown below. The reason for this reclassification is due to the value of the 2015/16 provision.

	31 March 2015	31 March 2016
	£000	£000
Central government bodies	(1,072)	(1,613)
Other local authorities	(1,739)	(2,110)
Public corporations and trading funds	(3)	(3)
Other entities and individuals	(5,485)	(5,248)
Sub Total	**(8,299)**	**(8,974)**
Less: Receipts in Advance		
Central government bodies	508	623
Public Corporations and Trading Funds	4	4
Sub Total	**512**	**627**
Total	**(7,787)**	**(8,347)**

35. Provisions

The Authority has set aside a provision for potential liabilities as a result of Business Rate payer appeals against rateable valuations. The total liability is shared in accordance the Business Rate Retention Scheme proportionate shares of 40% for the Authority, 50% for Central Government and 10% for Norfolk County Council.

In the 2014/15 SOAs the potential liability was included under Payables. In view of the significant increase in the amount set aside in 2015/16, this is now included as a separate provision. The increase is required to meet the potentially large reductions in the rateable values of purpose built Health Centres. The prior year figure for Payables has been re-stated to reflect this change.

	Balance 1 April 2015	Additional Provisions Made in 2015/16	Amounts Used in 2015/16	Balance 31 March 2016
	£	£	£	£
NNDR Appeals - Total Collection Fund	837,283	1,747,673	(449,098)	2,135,858
NNDC Share	334,914	699,069	(179,639)	854,344

The Authority has no other outstanding legal cases in progress or other potential liabilities that require provisions to be made.

36. Contingent Liabilities

At 31 March 2016, the Authority had the following material contingent liabilities:

(a) **Housing Stock Transfer** - As part of the legal agreements associated with the transfer of the housing stock to the Victory Housing Trust in 2006/07, the Authority provided a number of environmental and non-environmental warranties, guarantees and indemnities to the Trust, its Lenders and the Norfolk Pension Fund.

The risks associated with these warranties and indemnities have been assessed following professional advice and where felt appropriate the Authority has, or is making, arrangements to transfer some of the potential risks. Specifically, insurance has been arranged in respect of the environmental warranties and the Trust has provided a bond with an initial sum of £1.2 million in favour of the Authority with regard to any liabilities to the Norfolk Pension Fund in the event of the insolvency, winding up and liquidation of the Trust. In May 2016 the actuary's total value of the indemnity required to meet the deficit with a certainty of 80% to 85% was estimated at £2,687,000 (£1,983,000 for 2014/15). A bond of £5,774,000 (£5,043,000 for 2014/15), would be required to be 98% certain of meeting any deficit arising.

To the extent that claims have to be met some time in the future beyond those covered by the environmental warranty insurance and the pension bond, the Authority discloses a contingent liability. An earmarked reserve of £435,000 is held to mitigate such claims.

(b) **NNDR Appeals –** Note 8 to the Collection Fund details the provision made for appeals. It is not possible to quantify the number and value of appeals that have not yet been lodged with the Valuation Office with any certainty, so there is a risk to the Authority that national and local appeals may have a future impact on the accounts. The Authority maintains an earmarked reserve to mitigate any adverse impact.

(c) **Benefits** - There is a risk of potential claw back from the Department of Works and Pensions following the final audit and sign off the year end subsidy claim. To mitigate the impact of any claw back there is an earmarked reserve for which the balance stood at £558,376 at 31 March 2016.

(d) **NNDR Mandatory Relief -** The Authority has received a claim for mandatory Business Rates relief from a local NHS Trust on the basis of charitable status. No decision to grant relief to the Trust has yet been made and is subject to ongoing investigation. The view of the Authority is that the claim is unfounded. The timing, probability and amount of any relief given are therefore uncertain at the current time.

37. Contingent Assets

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Authority has identified the following contingent assets:

(a) **Freehold Reversions for 4 Shared Equity Dwellings off Roughton Road Cromer –** Following the Norfolk Homes Development on Roughton Road, Cromer, the Authority has acquired a 25% share in the freehold reversions for 4 shared equity dwellings. The Authority does not benefit from any ongoing rental income in relation to these properties, and will not realise the 25% equity share unless the properties owners buy the Authority out of the agreement. As the value of these properties to the Authority, is contingent upon this action the assets have not been recognised within the financial statements. The current market value of the properties is £712,000, with the Authority's share amounting to £178,000. This forms part of an ongoing agreement that covers the eventual transfer of 16 dwelling between now and 2020.

38. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure accounts in 2015/16.

	2014/15	2015/16
Credited to Taxation and Non Specific Grant Income	**£000**	**£000**
Revenue Support Grant	(3,354)	(2,404)
Relief for Flooded Properties	(47)	0
Business Rates	(3,570)	(3,820)
Business Rates Efficiency & Transformation	(15)	0
New Homes Bonus	(1,277)	(1,684)
Community Right to Challenge/ Community Right to Bid	(16)	0
Council Tax Freeze Funding	(58)	(58)
Council Tax Rural Services Delivery Grant	(12)	0
Council Tax Family Annexe Discount	0	(14)
Capital Grants and Contributions	(3,335)	(2,103)
Council Tax Support New Burdens	(76)	(21)
Total	**(11,760)**	**(10,104)**
Credited to Services		
DWP - Rent Allowances	(27,741)	(27,648)
DWP - Admin Subsidy	(584)	(522)
	(28,325)	**(28,170)**
Arts Council England	(22)	(17)
Cabinet Office	(77)	(121)
Dept. for Environment, Food & Rural Affairs (DEFRA)	(437)	(256)
Dept. for Communities and Local Govt (DCLG)	(510)	(661)
Marine Management Organisation	(33)	(36)
Norfolk County Council	(1,207)	(603)
Sport England	(56)	(45)
Other Grants & Contributions	(109)	(145)
Total	**(30,776)**	**(30,053)**
Total Revenue Grants Received	**(42,536)**	**(40,157)**

The Authority 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:

	31 March 2015	31 March 2016
	£000	£000
Capital Grant Receipts in Advance		
Pathfinder	284	284
Travellers Site	225	182
Disabled Facilities Grant	0	158
Coastal Erosion Grant	0	0
Developer Contributions	3	3
Other	0	0
Total	**511**	**627**

39. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term 31 March 2015 £000	Current 31 March 2015 £000	Long Term 31 March 2016 £000	Current 31 March 2016 £000
Investments				
Loans and receivables	0	0	0	3,000
Available-for-sale investments	10,904	4,364	18,617	4,612
Total Investments	**10,904**	**4,364**	**18,617**	**7,612**
Cash and Cash Equivalents:				
Loans and receivables	0	0	0	1,001
Available-for-sale investments	0	5,036	0	3,628
Total Cash and Cash Equivalents	**0**	**5,036**	**0**	**4,629**
Debtors				
Loans and receivables	38	1	32	2
Trade receivables	0	1,360	0	1,209
Total Debtors	**38**	**1,361**	**32**	**1,211**
Other Long-term Liabilities				
Finance lease liabilities	998	330	688	311
Total Other Long-term Liabilities	**998**	**330**	**688**	**311**
Creditors				
Trade payables	0	2,812	0	2,320
Total Creditors	**0**	**2,812**	**0**	**2,320**
Total Financial Instruments	**11,940**	**13,903**	**19,337**	**16,083**

Investments which can be repaid on the balance sheet date – i.e. liquidity money market funds and call accounts, are classified as cash and cash equivalents. The difference between the current financial liabilities of £2,630,775 and the total Payables figure of £8,980,806 shown in Note 34 represents liabilities which are non-contractual or statutory in nature and therefore not financial instruments.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Authority has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet. The Authority had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

	2014/15			2015/16		
	Assets	**Liabilities**	**Net position on Balance Sheet**	**Assets**	**Liabilities**	**Net position on Balance Sheet**
	£000	£000	£000	£000	£000	£000
Financial Assets						
- Bank accounts in hand	2,214	(2,214)	0	4,584	(4,584)	0
Financial Liabilities						
- Bank overdrafts	2,214	(2,651)	(437)	4,584	(5,410)	(826)

Income, Expense, Gains and Losses

	2014/15 Financial Liabilities	2014/15 Financial Assets			2015/16 Financial Liabilities	2015/16 Financial Assets		
	Finance Leases	**Loans and Receivables**	**Available for sale Investments**	**Total**	**Finance Leases**	**Loans and Receivables**	**Available for sale Investments**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Interest income/expense included in surplus/deficit on the provision of services	115	(49)	(366)	**(415)**	91	(27)	(493)	**(520)**
Gains on revaluation	0	0	(688)	**(688)**	0	0	(1,398)	**(1,398)**
Net (gain)/loss for the year	**115**	**(49)**	**(1,054)**	**(1,103)**	**91**	**(27)**	**(1,891)**	**(1,918)**

Fair values of Assets and Liabilities

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price, and for certificates of deposit the discounted value of the contractual cash flows at the market rate is used.

The carrying value of assets held at amortised cost (e.g. loans and receivables) is considered to be a close approximation of the fair value and are therefore excluded from the table below. Accordingly investments in bank deposits, loans to local authorities, trade and lease receivables and loans to employees are not shown.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Fair Value 31 March 2015 £000s		Fair Value Level	Fair Value 31 March 2016 £000s
	Financial Assets held at fair value:		
5,036	Money Market Funds	1	3,628
6,132	Pooled Property Fund	1	6,419
0	Other Pooled Funds	1	5,993
4,871	Covered Bonds	1	10,817
4,265	Certificates of deposit	2	0
20,304	**Total Financial Assets**		26,857
	Recorded on the balance sheet as:		
10,904	Long-term investments		18,617
4,364	Short-term investments		4,612
5,036	Cash and Cash Equivalents		3,628
20,304	**Total Financial Assets**		**26,857**

40. Nature and Extent of Risks arising from Financial Instruments

The Authority'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 Authority
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates, market process etc.

The Authority has adopted *CIPFA's Code of Practice on Treasury Management* and complies with The Prudential Code for Capital Finance in Local Authorities.

To comply with the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of each financial year which sets out the parameters for the management of risks associated with Financial Instruments. The Authority also produces Treasury Management Practices specifying the practical arrangements to be followed to manage those risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with Central Government's Investment Guidance to Local Authorities. The guidance defines a prudent investment policy as having the two objectives of security (protecting the capital sum from loss) and then liquidity (keeping adequate funds readily available for expenditure when needed). Once proper levels of security and liquidity have been achieved, consideration is given to seeking the highest rate of return consistent with those priorities.

Credit Risk- Investments

The Authority manages this risk by ensuring that investments are placed with counterparties which have a high credit rating and for the maximum periods and amounts set out in the Treasury Management Strategy, Practices and Schedules.

The security and liquidity of the funds invested are the primary objective of the Authority's treasury management activities. The Authority selects countries and the institutions within them as suitable counterparties for investment after analysis and careful monitoring of the credit ratings of all three rating agencies and a range of economic indicators and financial information are taken into account.

The credit quality of £10.5m of the Authority's investments is enhanced by collateral held. These investments are in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the Authority suffering loss on these investments.

The table below shows the credit criteria exposures of the Authority's investment portfolio by credit rating.

Credit Rating	Long Term 31 March 2015 £000s	Short Term 31 March 2015 £000s	Long Term 31 March 2016 £000s	Short Term 31 March 2016 £000s
AAA	4,871	5,036	12,198	8,240
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	3,015	0	1,000
A+	0	0	0	0
A	0	1,251	0	1
A-	0	0	0	0
Unrated	6,132	0	6,419	3,000
Total Investments	**11,003**	**9,302**	**18,617**	**12,241**

Note: Short Term Includes Cash & Cash Equivalents

The Authority has no historical experience of counterparty default and the Authority does not anticipate any losses from default in relation to any of its current investments. No credit limits were exceeded in the financial year.

None of the above were identified as past due or impaired during the year.

Credit Risk - Receivables

In addition to treasury investments, the Authority is exposed to credit risk from its customers. However the Authority has put in place appropriate debt recovery procedures to manage this risk and minimise any loss.

The age analysis of trade receivables which are past due date but are not impaired is shown below.

	31 March 2015 £000	31 March 2016 £000
Less than three months	256	81
Three months to one year	66	8
More than one year	41	12
	363	**101**

A bad debt provision of £7,930 has been made against debts which are more than one year old. The factors the Authority consider in determining if a trade debt is impaired include the age of the debt; the default history of the debtor; the proportion of the original debt which is still outstanding and the recovery stage of the debt. The Authority's maximum exposure to trade debts is £338,130. Of the debts which are passed their due date (and not impaired) £80,489 is less than three months old, £7,830 is between three months and one year and £12,462 is more than one year, as per the table above. The aged debt note relates to trade receivables only and it is not possible to determine the credit quality of the debtor.

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to short-term borrowing should this be required, and there is no significant risk that it will be unable to raise funds to meet its commitments. The Authority does not have any long-term debt and therefore does not have any maturing liabilities for which funds would be required.

Market risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effect:

- Investments at variable rates – the interest income will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be taken to the Surplus or Deficit on the Provision of Services. Movements in the fair value of investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure. This is not the case for investments classed as "loans and receivables" which are carried at amortised cost and not fair value.

The Treasury Management Strategy aims to mitigate the risk in interest rate movements. The money markets and interest rate forecasts are monitored to adjust exposures to fixed and variable rates appropriately. For example, during periods of falling interest rates fixed rate investments may be made for longer periods to secure better returns.

At the 31 March 2016, £6.75m of investments were exposed to fixed interest rates and £22.375m to variable rates. If all interest rates had been 1% higher (with all other variables held constant), there would be an increase in investment income of £223,750. A 1% fall in interest rates would produce a reduction in income of the same amount.

Price risk

The Authority has investments in bonds and pooled funds. A 1% rise in interest rates would reduce the fair value of the bonds by £54,674. The investment in the pooled property fund is subject to the risk of falling commercial property prices. A 1% fall in the value of the property in the fund would result in a £64,200 charge to Other Comprehensive Income and Expenditure, but this would have no impact on the General Fund until the investment is sold. This would also be the case for the pooled funds were a 1% fall in the value of the funds would result in a £60,000 charge.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore there is no exposure to loss arising from movements in exchange rates.

COLLECTION FUND

2014/15 £000	COLLECTION FUND	Notes	2015/16 Council Tax £000	Business Rates £000	Total £000
	INCOME				
(57,901)	Council Tax	(4 & 5)	(59,069)	0	(59,069)
(23,288)	Business Rates	(2)	0	(24,336)	(24,336)
(81,189)			(59,069)	(24,336)	(83,405)
	EXPENDITURE				
	Precepts:	(3)			
6,742	- North Norfolk District Council (including Parish Councils)		6,937	0	6,937
42,103	- Norfolk County Council		42,681	0	42,681
7,528	- Office of the Police & Crime Commissioner for Norfolk		7,783	0	7,783
	Business Rate Shares:	(6)			
12,155	- Central Government		0	12,079	12,079
9,928	- North Norfolk District Council (including Renewable Energy Retained)		0	10,251	10,251
2,431	- Norfolk County Council		0	2,416	2,416
	Charges to the Collection Fund:				
233	- Cost of Collection		0	236	236
(32)	- Increase / (Decrease) in Provision for Bad & Doubtful Debts	(7)	(15)	33	18
217	- Write Offs of Uncollectable Amounts		173	47	220
387	- Increase / (Decrease) in Provision for Appeals	(7)	0	1,298	1,298
	Apportionment of Previous Year Deficit / (Surplus)	(3)			
1	- Central Government		0	(802)	(802)
100	- North Norfolk District Council		131	(642)	(511)
651	- Norfolk County Council		817	(161)	656
114	- Office of the Police & Crime Commissioner for Norfolk		146	0	146
82,558			58,653	24,755	83,408
1,369	(Surplus)/Deficit for the year		(416)	419	3
	COLLECTION FUND BALANCE	(6)			
(1,142)	Balance brought forward at 1 April		(1,671)	1,898	227
1,369	(Surplus)/Deficit for the year (as above)		(416)	419	3
227	Balance carried forward at 31 March		(2,087)	2,317	230

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and central government. The Collection Fund is consolidated with the other accounts of the billing authority for Balance Sheet purposes.

2. Income from Business Ratepayers

The Authority collects NNDR from ratepayers based on local rateable values provided by the Valuation Office Agency, multiplied by a uniform Business Rate in the £ set nationally by Central Government. The total rateable value for the District was £66,800,327 on 31 March 2016 (£65,360,645 on 31 March 2015). The national multipliers for 2015/16 were 48.0p for qualifying Small Businesses (47.1p in 2014/15), and the standard multiplier was set at 49.3 for all other businesses (48.2p in 2014/15).

The net income from Business Rate payers was £24,335,736 (£23,288,082 in 2014/15) after £202,535 of transitional protection payments to Central Government. The transitional protection scheme provided protection to ratepayers from large changes in their bills following revaluations of their business by phasing in changes gradually. This meant that a billing authority collected more or less rates than would otherwise be the case, and Government Regulations make provision for adjusting payments to be made to or from billing authorities.

The transitional arrangements introduced following the last Revaluation in 2010, came to an end on 31 March 2015. However there have been changes to the transitional amounts paid to ratepayers in respect of previous years arising from backdated changes to bills, resulting in the amount now due to Central Government.

3. Precepts and Demands

The authorities that made a precept or demand on the Collection Fund are:

Net Payment 2014/15 £000		Precept / Demand £000	Collection Fund Surplus £000	Net Payment 2015/16 £000
6,841	North Norfolk District Council (including Parish Precepts)	6,937	131	7,068
42,754	Norfolk County Council	42,681	817	43,498
7,642	Office of the Police & Crime Commissioner for Norfolk	7,783	146	7,929
57,237	**Total**	**57,401**	**1,094**	**58,495**

4. The Council Tax Base for 2015/16 is as follows:

Therefore each £1 of Council Tax set was calculated to produce income of £37,274 (£36,769 in 2014/15).

Valuation Band	Number of Chargeable Dwellings adjusted for Discounts		Equivalent Number of Band D Dwellings		Adjusted Equivalent Number of Band D Dwellings	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
A	6,753	6,858	4,500	4,568	4,410	4,478
B	10,147	10,322	7,892	8,028	7,734	7,867
C	9,264	9,375	8,235	8,334	8,070	8,167
D	7,400	7,510	7,400	7,510	7,251	7,360
E	4,108	4,172	5,021	5,099	4,921	4,997
F	1,955	1,971	2,824	2,847	2,768	2,790
G	903	905	1,505	1,508	1,475	1,477
H	71	70	142	141	140	138
Total Tax Base	**40,601**	**41,183**	**37,519**	**38,035**	**36,769**	**37,274**

5. Band D Tax Rate

This Authority set a Council Tax of £1,492.74 for a band D dwelling, (£1,488.69 in 2014/15), which consisted of £1,145.07 (£1,145.07 in 2014/15) for Norfolk County Council, £208.80 (£204.75 in 2014/15) for the Office of the Police & Crime Commissioner for Norfolk and £138.87 (£138.87 in 2014/15) for the District's requirements. Sums ranging from nil to £88.42 (nil to £89.45 in 2014/15) were charged in addition for parish and town council requirements.

The calculation of the District's Council Tax is made by dividing its demand on the Collection Fund by the equivalent number of Band D dwellings in the area (the Tax Base). An adjustment is made to the Tax Base to take into account the anticipated non-collection of amounts due.

Discounts are given for empty and other properties, in respect of students, disabled people, single occupiers and those in receipt of support under the Local Council Tax Support Scheme. Since 2004/05 the Authority has implemented the provisions of the Local Government Act 2003 and exercised its discretionary powers to reduce or eliminate discounts on certain empty properties and second homes. Further reforms in the Local Government Finance Act 2012 gave the Authority new flexibilities to vary Council Tax on second homes and empty dwellings, and to apply a premium on empty properties.

6. Balances

The balance on the Collection Fund represents a surplus from Council Tax and a deficit from Business Rate transactions. The Council Tax surplus is shared between Norfolk County Council, the Office of the Police & Crime Commissioner for Norfolk and North Norfolk District Council in proportion to their respective precepts.

The deficit on Business Rate transactions is a result of changes in the year against initial estimates. Gross rates payable were higher than anticipated, mandatory reliefs were greater and the amount set aside in a provision to cover potential liabilities as a result of appeals against rateable values was increased. The deficit is shared in accordance with the proportionate shares of 50% for Central Government, 10% for Norfolk County Council and 40% for North Norfolk District Council.

The total balance is attributed as follows:

31 March 2015 Total	Share of Balance	31 March 2016		
		Council Tax	Business Rates	Total
£		£	£	£
559,380	North Norfolk District Council	(252,143)	926,857	674,714
(1,058,021)	Norfolk County Council	(1,551,411)	231,714	(1,319,697)
(223,123)	Office of the Police & Crime Commissioner for Norfolk	(282,895)	0	(282,895)
948,992	Central Government	0	1,158,572	1,158,572
227,228	**Total**	**(2,086,449)**	**2,317,143**	**230,694**

7. Bad Debt Provision and Appeals Accounting Policy

The Collection Fund account provides for bad debts on arrears based on historical experience of non-payment and the age of debt.

Authorities are expected to finance the cost of appeals made against rateable values and are required to make provision for these amounts. Successful appeals in 2015/16 to the value of £449,098 have been charged to this provision, and an additional £1,289,575 has been charged to the Collection Fund to ensure that there is an adequate provision to meet appeals not settled as at 31 March 2016, particularly in respect of purpose built Health Centres where significant reductions in rateable value are anticipated.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH NORFOLK DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of North Norfolk District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 40 and the Collection Fund and its related notes 1 to 7.

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 2015/16.

This report is made solely to the members of North Norfolk District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority 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 Finance Officer's Responsibilities set out on pages 1, the Chief Finance 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 2015/16, 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 Finance 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 2015/2016 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 North Norfolk District Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/2016 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on North Norfolk District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the North Norfolk District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the North Norfolk District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 North Norfolk District Council 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 issued by the C&AG in November 2015, we are satisfied that, in all significant respects, North Norfolk District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of North Norfolk District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

MARK HODGSON .... *Date: 22 September 2016.*

Mark Hodgson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge

Accruals - The accounting treatment that requires expenditure and income to be recognised in the period it is incurred or earned, not when the money is actually paid or received.

Amortisation - The process of spreading a cost to revenue over a number of years. For example Intangible Assets are amortised to revenue over their useful life.

Bad Debts - Amounts owed to the Authority which are considered unlikely to be recovered. An allowance is made in the accounts for this possibility.

Balance Sheet - The Authority's financial position at the year end. It summarises what the respective assets and liabilities are.

Business Rates - Business or National Non-Domestic Rates are collected from occupiers of business properties based upon a rateable value and a nationally set rate. They are collected by each authority and nationally determined proportionate shares are paid to the Government and Norfolk County Council with a share retained by the authority.

Capital Adjustment Account - An account which reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The balance represents the balance of capital resources set aside to finance capital expenditure (e.g. capital receipts, revenue contributions) awaiting consumption of resources e.g. from depreciation and impairment.

Capital Expenditure - Spending on the purchase or enhancement of significant assets which have an expected life of over a year - for example major improvements to the Authority's housing or construction of a car park.

Capital Financing Requirement (CFR) - The Capital Financing Requirement represents the Authority's underlying need to borrow for capital purposes.

Capital Receipts - Money received from the sale of assets. This can be used to finance capital expenditure or repay debt.

Collection Fund - The account which contains all the transactions relating to Community Charge, Council Tax and Business Rates together with the payments to this Authority, Norfolk County Council and Norfolk Police Authority to meet their requirements.

Contingent Assets - A Contingent Assets is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Corporate and Democratic Core - Costs relating to the Authority's status as a multi-functional, democratic organisation.

Contingent Liabilities - A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Deferred Capital Receipts - Representing the amounts that are not available as cash. They arise from Council house sales on mortgage to the Authority, and where repayments of principal sums due are received over a number of years.

Depreciation - A measure of the financial effect of wearing out, consumption or other reduction in the useful life of a fixed asset.

Earmarked Reserve - Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

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 covers both financial assets and financial liabilities. Examples of financial assets include bank deposits, equity instrument of another entity, e.g. shares, contractual right to receive cash or another financial asset from another entity, such as a trade receivable. Financial liabilities include for example, contractual obligations to deliver cash or another financial asset.

Fixed Assets - Representing, as fixed assets, the value of what the Authority owns in terms of property, land etc. and what is owed to the Authority in respect of debt.

General Fund - The account which summarises the revenue costs of providing services, which are met by the Authority's demand on the Collection Fund.

Impairment - Reduction in the value of a fixed asset below its amount included in the Balance Sheet.

Infrastructure - A classification of fixed assets which have no market value and which exist primarily to facilitate transportation and communication requirements (e.g. roads, street lighting).

Intangible Assets - Intangible Assets are non-financial fixed assets that do not have a physical substance and include for example software licences.

International Accounting Standard 19 (IAS 19) - The requirement for Local Authority's to include the forecast cost of future pensions in the accounts on a notional basis.

International Financial Reporting Standards (IFRS) – A set of international accounting standards stating how particular types of transactions and other events should be reported in Financial Statements. IFRS are issued by the International Accounting Standards Board.

Large Scale Voluntary Transfer (LSVT) - The process of transferring Council House stock from a local Authority to a Registered Social Landlord. North Norfolk District Council transferred its housing stock to North Norfolk Housing Trust in February 2006.

Leasing - A method of acquiring items such as vehicles and computer equipment by payment of a lease charge over a period of years. There are two types of lease.

- A finance lease is where the Authority effectively pays for the cost of an asset (it counts as capital expenditure for control purposes and is included on our Balance Sheet). A primary lease period is that period for which the lease is originally taken out and a secondary period relates to any extension.
- An operating lease (a long-term hire) is subject to strict criteria and the cost can be charged as a running expense. The item leased must be worth at least 10% of its original value at the end of the lease and does not appear on the Balance Sheet.

Liabilities - This shows what the Authority owes for borrowing, payables etc. at the Balance Sheet date.

Minimum Revenue Provision - The minimum amount which must be charged to the revenue account each year and set aside as a provision to meet the rest of credit liabilities for example borrowing

National Non-Domestic Rate (NNDR) - National Non-Domestic Rate (NNDR) is set by the Government and collected by each authority and nationally determined proportionate shares are paid to the Government and Norfolk County Council with a share retained by the authority.

Non Distributed Costs - The cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

Payables - Amounts which the Authority owes to others for goods and services received before the year end of 31 March but which were not paid until after 1 April.

Precepts - The amount which the Norfolk County Council and Norfolk Police Authority require us to collect, as part of the Council Tax, to pay for their services is called a precept. Town and Parish Councils also precept on the District Council to pay for their expenses.

Provisions - An amount set aside for potential liabilities which may arise or will be incurred, where there is uncertainty as to the amounts concerned or the dates on which these liabilities may arise.

Prudential Code - Professional code of practice developed by CIPFA which came into effect from the 1 April 2004 to ensure Local Authorities Capital investment plans are affordable, prudent and sustainable. ‘The code allows authorities to undertake borrowing to finance capital expenditure as long as they can demonstrate affordability. ‘

Receivables - Sums which at 31 March are owing to the Authority.

Reserves - Accumulated balances built up from excess of income over expenditure or sums that have been specifically identified for a particular purpose which are known as earmarked reserves.

Revaluation Reserve - Net unrealised gains from the revaluation of fixed assets recognised in the balance sheet. Introduced in the 2007 SORP from 1 April 2007.

Revenue Contribution to Capital (or Direct Revenue Financing) - Use of revenue resources to finance capital expenditure.

Revenue Expenditure - The day to day running expenses on the services provided.

Revenue Expenditure Funded from Capital Under Statute - Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the relevant service revenue account in the year.

Revenue Income - Amounts receivable for such items as rents and charges for services and facilities.

Revenue Support Grant (RSG) - Grant paid by central government to aid local authority services in general as opposed to specific grants which may only be used for a specific purpose.

Soft Loans - Loans which are made at less than market rates or interest free. An authority will sometimes make soft loans to achieve a policy or service objective. For example an interest free loan to a voluntary organisation to provide upfront funding or car loans to employees.

Support Services - Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front-line services.

Temporary Loans - Money borrowed on a short-term basis as part of the overall borrowing strategy.

VAT Shelter - A procedure agreed by the DCLG and HM Revenues and Customs to ensure that following a housing stock transfer there is no impact on taxation. Had the Authority retained the housing stock and carried out the necessary works on the properties the VAT would have been reclaimed by the Authority, however the Housing Trust are unable to recover the VAT and the VAT shelter arrangement allows the VAT to be recovered and shared between the Authority and Victory Housing Trust.

GLOSSARY OF ACRONYMS

CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
IAS	International Accounting Standards
ICT	Information Communication Technology
IFRS	International Financial Reporting Standard
LSVT	Large Scale Voluntary Transfer
MRP	Minimum Revenue Provision
NNDC	North Norfolk District Council
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RSG	Revenue Support Grant
SERCOP	Service Reporting Code of Practice
SORP	Statement of Recommended Practice
TIC	Tourist Information Centre
UK GAAP	United Kingdom - Generally Accepted Accounting Principles