

Statement of Accounts



2020/2021

THE NARRATIVE STATEMENT

1. Introduction

1.1 The Statement of Accounts for 2020/21 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom for 2020/2021. This narrative statement aims to provide the reader with information about the Council, its main objectives, strategies and the principle risks it faces and to provide a commentary on how the Council has used its resources to the desired outcomes. It also helps to explain and highlight the linkages between the information contained within the narrative statement itself and the information presented within the financial statements. The accounting policies applied in production of the accounts can be found on **pages 10 to 26**.

2. Statements included within the Accounts

2.1 The accounts consist of the following main statements:

- **Expenditure and Funding Analysis (page 4)** – this shows how the funding available to the Council for the year 2020/21 (i.e. Government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.
- **Comprehensive Income and Expenditure Statement (page 5)** – 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.
- **Movement in Reserves Statement (page 6)** – this statement shows the movement in the year on the different reserves held by the Council 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 Council'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 Council'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 are undertaken by the Council.

- **Balance Sheet (pages 7-8)** – this statement shows the value, as at the balance sheet date, of the assets and liabilities recognised by the Council. It sets out the financial position of the Council 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 Council's year-end financial position.

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- **Cash Flow Statement (page 9)** - summarises all flows of cash from transactions with third parties for revenue and capital purposes. It shows the changes in cash and cash equivalents during the reporting period and how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Collection Fund (page 96)** – As a billing authority the Council 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 Council from council tax and NNDR and how this has been distributed to Central Government; the major precepting bodies of Norfolk County Council (NCC), the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and North Norfolk District Council (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 (pages 10-95)** – The accounts are supported by various notes to the main statements which provide additional information to that contained in the core statements themselves.

3. Organisational overview and external environment

Our district

- 3.1 North Norfolk District consists of 962 km² of beautiful countryside and 73km of coastline. With a range of active village communities and seven busy market towns comprising 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 **105,600** in 2019 to **107,400** by 2022 and the number of resident households is projected to grow to from **49,100** to **50,300** over the same timeframe. 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 (**110 persons per square kilometer compared to 427** 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.

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3.3 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.

Corporate Plan and priorities

3.4 The Council has a Corporate Plan covering 2019 – 2023 which can be accessed [here](#), along with a supporting Delivery Plan. The Delivery Plan shows what the Council will do to meet the needs and aspirations of residents and businesses as established within the Corporate Plan. The plan sets out the Council's priorities which are:

- **Local Homes for Local Need**
- **Boosting Business Sustainability and Growth**
- **Customer Focus**
- **Climate, Coast and the Environment**
- **Financial Sustainability and Growth**
- **Quality of Life**

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

Local government environment

3.6 The Council operates within the local government framework, delivering both locally developed policy and central government policy, providing services ranging from waste collection and coast protection through to the administration of benefits and the local planning function. There are a number of policy changes currently being discussed which will impact on the future financial position of the Council including the Fair Funding Review, Spending Review and the localisation of business rates and the outcome from which is not known at the present time. There were however no fundamental changes which have impacted on the year currently under review. The COVID 19 pandemic had a profound impact on the way services were delivered during the year, and the wider economic impact was severe, as many businesses were shut for months during national and local lockdowns.

4. Governance

4.1 The Annual Governance Statement (AGS) is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively, this is supported by the Council's Local Code of Corporate Governance. There have been no significant changes or issues surrounding governance during the current financial year. A full copy of the Statements, AGS and the Code are available on the Council's website.

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5. Risks and opportunities

- 5.1 As mentioned above there is still considerable uncertainty around future years funding forecasts and this position will not improve until the outcome from the Fair Funding Review, which will set new baseline funding allocations and responding to spending pressures and changes in service demand, and the review of the Local Retention of Business Rates, are concluded. The Comprehensive Spending Review (CSR), which sets out the expenditure limits over the coming years has been delayed due to Brexit and COVID, which have also resulted in single year settlements in recent years. A multi-year settlement has been lobbied for by the sector to provide greater certainty over future funding streams. The next CSR, which will hopefully deliver this is now expected to commence in the autumn.
- 5.2 Local Authority funding from business rates is open to risks around funding fluctuations due to increases and decreases in the rateable values (RV) of non-domestic properties and successful alterations of lists and appeals against the RV. The Valuation Office Agency (VOA), who hear the appeals, currently have a backlog and are slow to clear outstanding appeals increasing the risk of the Council needing to pay out large refunds.
- 5.3 The Council currently holds in excess of £25m in reserves, some of which (if required) could be made available to support service budgets in the short to medium term. Use of reserves does not represent a sustainable funding mechanism for the longer term as these are one-off resources. Our Reserve balance has increased substantially during the year due to the accounting treatment of COVID grants received. Much of these are ring-fenced for COVID 19 related spending, or to cover future Collection Fund deficits. More information can be found in Note 41. As part of the year end closedown process £10.545m of Funding relating to COVID was transferred to earmarked reserves, it is anticipated this will be full reversed out in 2021/22.
- 5.4 The COVID pandemic continues to impact on the Council's finances, and while this crisis brings with it significant risks it also brings with it opportunities, for example potentially new ways of working and new methods of service delivery. North Norfolk is a very attractive holiday location, and with more people opting for a 'staycation' due to the pandemic, there is an opportunity to grow the economy in the district. The position will continue to be closely monitored and considered as part of updating the Council's Medium Term Financial Strategy.
- 5.5 The Council's Corporate Risk Register, which details the significant risks the Council faces (including financial risks), is published on its website.

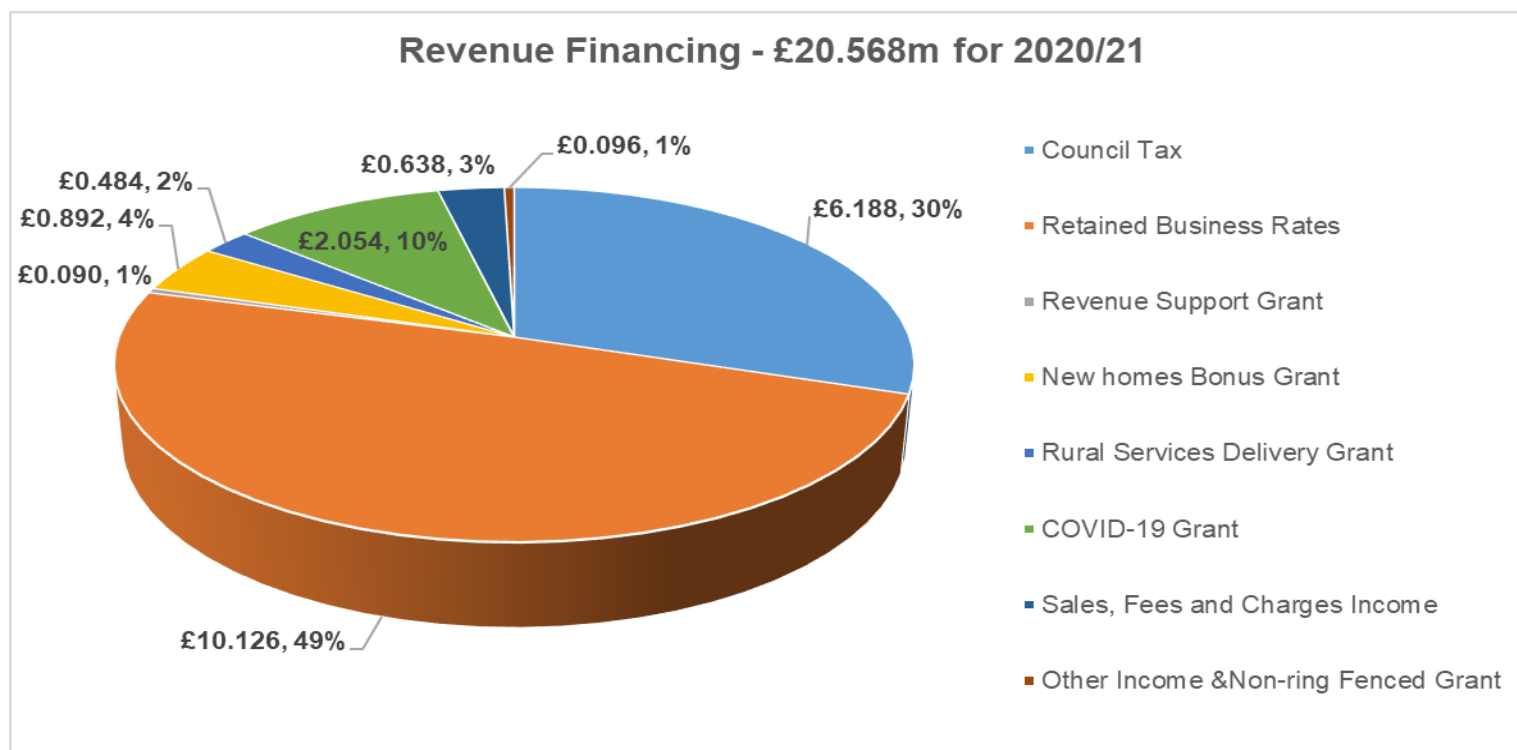
6. Financial Performance

- 6.1 The Council reports on its performance against its Corporate Objectives quarterly. The report covering the 2020-21 financial year can be found on the Council's website here

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Revenue Activity

- 6.2 The following provides an overview of the resources available to the Council during the year along with the outturn position compared to the budget. The tables below show how the revenue activity was financed during the year, highlighting that around 20.7% of the net funding is from external sources, e.g. New Homes Bonus and other non-ringfenced grants including Covid support grants, the balance of 79.3% comes from council tax and locally retained business rates reflecting the continuing shift from central to local funding. This position is shown net of fees and charges service income and highlighted in the tables on the following page.



- 6.3 The financial performance of the Council 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). The overall outturn position for the financial year against budget that was reported to Cabinet on 6 September 2021 was an underspend of £752k. This was transferred into the Delivery Plan Reserve.

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Table 1 - 2020/21 Subjective Analysis

	2020/21 Updated Budget	2020/21 Outturn	Variance	
	£	£	£	%
Employee Costs	12,699,549	13,186,639	487,090	3.84
Premises	3,061,447	3,350,311	288,864	9.44
Transport Related Expenditure	304,624	211,333	(93,291)	(30.62)
Supplies & Services	75,312,853	107,924,312	32,611,459	43.30
Transfer Payments	22,208,430	22,259,214	50,784	0.23
Support Services - Charges In	10,527,560	11,348,229	820,669	7.80
Support Services - Charges Out	(10,777,864)	(11,496,848)	(718,984)	6.67
Capital Financing Costs	2,661,871	5,338,599	2,676,728	100.56
Income	(98,258,299)	(128,973,399)	(30,715,100)	31.26
Total cost of services	17,740,171	23,148,390	5,408,219	30.49

6.4 Transfers to and from reserves in the year are made in line with the Council'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 recommended for approval as part of the outturn report where there is no annual budget provision in 2021/22.

6.5 The 2020/21 outturn report covers the final budget monitoring position for the year and provides a detailed commentary covering the budget variances and the reasons behind some of these, a copy of which can be found on the September Cabinet agenda. The reasons for some of the more significant movements included in the summary above in percentage terms are as follows:

- **Employee Costs** – £699,629 of the total variance relates to the pension cost adjustment for current service costs. There are then other cost variances that offset. This pension costs adjustment reflects the difference between the cash contributions the Council has made into the Pension Fund during the year and the value of pensions accumulated in the year calculated by the actuary. These additional costs are reversed out under net operating expenditure, having only a £4,917 bottom line impact on the revenue outturn position although the increase is reflected in long term liabilities on the Balance Sheet.

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Employee budgets assume 2% turnover per annum. This is calculated across all salary and on cost budgets. Turnover savings of £297,114 were achieved across the net cost of services. A significant part of this saving was achieved as part of senior officer restructure and is offset by a contribution into the Restructuring/Invest to save reserve to reimburse one-off costs incurred in 2019/20.

Included within employee costs is additional expenditure totalling £143,246 which has been fully funded by COVID-19 grants. This predominately relates to overtime costs and temporary staffing.

- **Premises** – the Council has spent £92,884 in direct response to the COVID-19 pandemic. This was covered by COVID related grants. Work was carried out to make sure that Council’s assets complied with government guidelines and that the offices were a safe place for officers to work in.
- **Transport** - A significant saving was made on transport costs as everyone had to work from home because of the COVID-19 pandemic, with £14,581 being saved on public transport expenditure and £72,712 in officer and member mileage expenses. Homeworking and virtual meetings replaced site visits and face-to-face meetings.
- **Support Services** – These are the costs of support services such as IT, Accountancy, HR and Property Services that are allocated to the frontline services that are provided directly to customers, residents and businesses. Some of the support service costs are allocated to capital projects for work done by staff on these projects. It was anticipated that £156,876 would be charged to capital budgets, however at outturn only £55,191 was charged to capital resulting in a bottom line impact of £101,685.
- **Supplies and Services** – There was a significant level of expenditure relating to the council’s response to COVID-19. It largely related to business support grants paid out, but also covers other areas of expenditure e.g. rough sleeper accommodation and contractor support. All COVID-19 related costs have been covered by various COVID Support Grants so there is no bottom-line impact.
- **Capital Financing Costs** – The overspend mainly relates to depreciation and amortisation, and payments relating to Disabled Facilities Grants (DFGs) which are treated as revenue expenditure funded from capital under statute (REFCUS). Other minor variances relate to slippage and re-profiling of the capital programme.
- **Transfer Payments** - There was a reduction in benefit claimants payments of (£887,047). This has been offset by a reduction in subsidy income claimed from the Department for Works and pensions (DWP). There was also a variance of £937,175 relating to Adjustment Payments to Norfolk County Council and Local Enterprise Partnership (LEP) in respect of enterprise zones. This expenditure has been funded from the Business rates reserve.
- **Income** – The Council received £114.4m of grants from the government to enable the Council to respond COVID-19. A lot of this was for passporting onto businesses and individuals. Total expenditure amounted to £98.6m. The year-end balances were carefully

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reviewed so that the correct accounting treatment could be applied. Of the £15.8m balance only £1.4m shows as a variance and this has been transferred to the Grants earmarked reserve.

A huge impact of the COVID-19 pandemic was that many of the Council's income generating assets had to be closed due to national measures such as lockdowns and social distancing. This resulted in a shortfall in income from fees and charges of £1.1m in areas such as car parking, trade waste, planning and building control fees. Central government paid compensation to councils and the Council were able to claim £638k against the loss.

Business Rates Retention

- 6.6 The actual funding from business rates income exceeded the budget for the year by £0.8m, the majority of which related to additional section 31 grant. The Collection Fund Account can be found on page 96 along with the associated notes on pages 97 to 99.
- 6.7 In the 2020/21 financial year, the Council was a member of the Norfolk Business Rates Pool. Being in the Pool allows growth in the business rates collected in Norfolk to be retained locally, rather than being passed to central government. The retained growth amount is paid over in the form of a levy payment to Norfolk County Council as the lead Council for the Pool.
- 6.8 The Council can retain all the income it receives from renewable energy schemes, provided it granted planning permission for the scheme. When completing the NNDR1 each year the Council must include the amount it anticipates it will receive. Any variation will be carried forward to the following year.
- 6.9 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 are funded by Section 31 grants payable to district councils. During the year, the government announced additional reliefs would be given to businesses in the retail sector to support them during times of economic uncertainty. The Council was reimbursed for the reliefs it gave through section 31 grant, meaning the amount received was far higher than in previous years.
- 6.10 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.

7. Treasury Management and Economic Climate

- 7.1 The amount of surplus cash available for investment during the year was at times higher than the level anticipated in the budget; although the overall rate of interest was lower than budget. This is, in part, due to the Bank of England Monetary Policy Committee (MPC) having reduced the bank base rate due to help sustain the economy during COVID-19, which resulted in reductions in net returns on the Money Market Funds that the Council uses to manage its cash flow. More detailed information can be found in the Treasury Management Outturn Report which will be reported to members in September 2021.

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- 7.2 The current economic climate, which has been significantly affected by COVID-19, has had an impact on the Council's investment income. As the year progressed, with the lockdowns and restrictions continuing for much longer than anyone had thought there was a concern at one point in the year that the income from investments achieved would only be about two thirds of the level anticipated because of the destabilising effect that COVID-19 was having on the economy. However as the year progressed, the financial markets stabilised as the Government responded positively to the pandemic, and the Council achieved 92% of its predicted investment income budget. Also at the start of the year, the capital value of the Council's pooled investment funds had reduced, particularly equity, as markets took a tumble due to the pandemic. Again though, by the end of the year these had largely recovered.
- 7.3 The Council had no long-term debt at 31 March 2021. The only debt taken during the year was short-term debt to fund any short-term cash shortfalls.

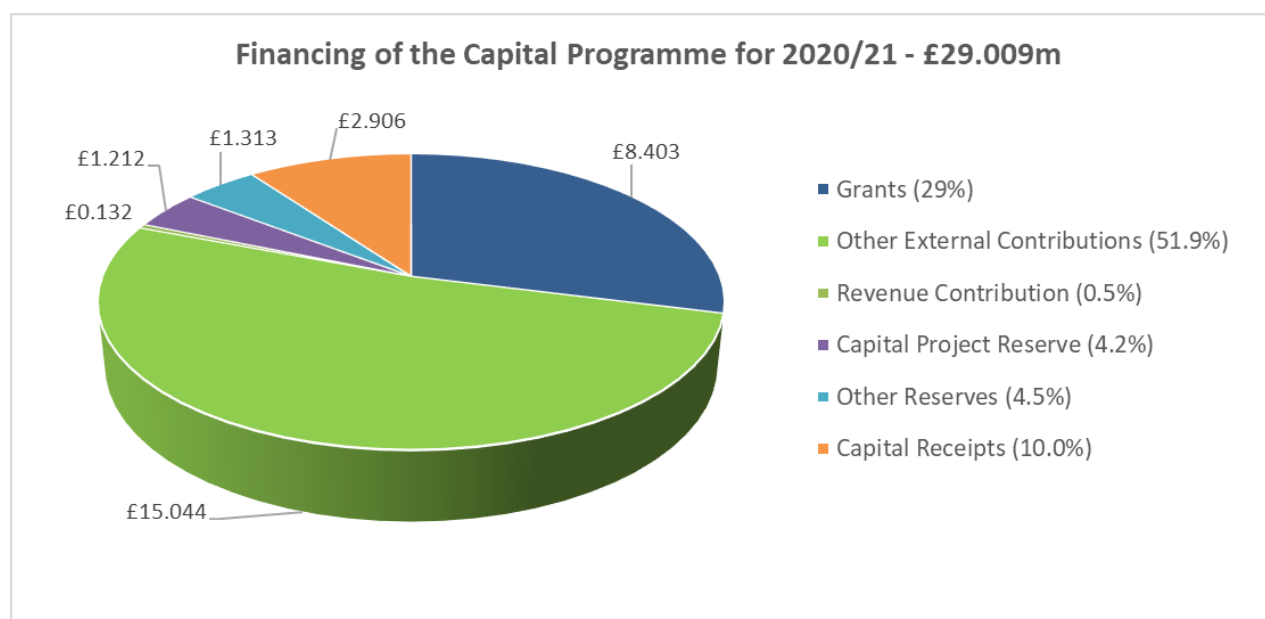
8. Capital

- 8.1 Capital expenditure in the year amounted to £14.9m (£29.0m 2019/20). The areas where expenditure was incurred are shown in the table below. More detail can be found in the 2020/21 outturn report.

Capital Activity Summary 2020/21 Outturn	2020/21 Updated Budget	2020/21 Outturn	Variance to Updated Budget
	£	£	£
Boosting Business Sustainability and Growth	1,858,050	1,055,469	(802,581)
Local Homes for Local Need	3,353,223	2,040,531	(1,312,692)
Climate, Coast and the Environment	1,348,542	1,215,848	(132,694)
Quality of Life	6,068,101	6,483,699	415,599
Customer Focus and Financial Sustainability	3,914,300	4,138,645	224,345
Totals	16,542,216	14,934,193	(1,608,024)

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8.2 The financing of the Capital programme is shown below.



9. Reserves and Balances

- 9.1 The Council has a General Fund which is the statutory fund into which all the Council's receipts are required to be paid and out of which all Council's liabilities are to be met, except where there are statutory rules that must be applied. The recommended minimum General Fund balance is currently £2.1m. The balance at 31 March 2021 was £2.3m.
- 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. This 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 Council. 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, such as the current COVID pandemic.
- 9.3 In addition to the general reserve the Council holds a number of earmarked reserves held to meet known or predicted liabilities totaling £26.9m. The reserves also provide a means at the year-end for carrying funds forward to the new financial year to fund ongoing

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commitments and known liabilities for which no separate revenue budget exists, more detail can be found at **note 9** of the accounts. There are a number of earmarked reserves that have balances, yet the timing of the use of the reserve is yet to be agreed.

- 9.4 Due to the COVID 19 pandemic, the Council was in receipt of grants from the Government to award to local businesses, support the tourism industry and to support COVID outbreak management. Where there is an unspent balance at 31st March, and the Council is acting as Principal in these transactions, this has been taken to Reserves at the end of the year. Approximately £1.4m has been transferred to Reserves, and expenditure is planned in the 2021/22 financial year. There is also approximately £8m transferred to the Business Rates Reserve which represents section 31 grant received to reimburse the Council for Retail Relief granted to businesses by the Government. Due to accounting treatment, the Council's General Fund will not feel the effect of the Collection Fund deficit caused by the granting of these reliefs until 2021/22, when this Reserve balance will be utilised to offset it. Note 41 explains these movements in more detail. During 2020/21 there was a net movement in earmarked reserves of £10.1m. This mainly represents the treatment of Covid-19 funding at the end of the financial year and effects the movements on the Business rate and Grants earmarked reserves. These transfers will be reversed out in 2021/22. Managers have requested that £256k of base budget underspends and unspent grants are rolled forward for spend in 2021/22. Other significant movements in earmarked reserves include Capital Financing, apprentice funding and business rate transfers.

10. Outlook

- 10.1 Several risks continue to face Local Authorities in terms of funding, i.e. local retention of business rates and responding to spending pressures and changes in service demand, particularly in light of the COVID pandemic. Some of the more significant and current risks that continue to face the Council 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 and the potential impact of the ongoing Fair Funding Review and the Spending Review. Consultation on this has been significantly delayed by Brexit and COVID 19 and poses a significant risk to our future planning;
 - **New Homes Bonus (NHB)** – The Council is due to receive 'legacy' payments in respect of the NHB over the next few years but as yet there is still little news regarding what system will replace the current funding mechanism;
 - **Business rates** – The risk of funding fluctuations from business rates continues to be a prevalent feature of the funding for local authorities. The impact of appeals only exacerbates this risk, although this is mitigated at a local level by the earmarked reserve. The implementation of localisation of business rates has also been delayed although further consultation is expected later this year;
 - **Savings/income** – the delivery of savings built into budget projections and income from demand led services i.e. planning, parking fees;

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- **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 and the global markets continue to be impacted due to the uncertainties brought about by COVID. 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 £22m per annum alone this presents a risk in terms of the accuracy of the claims and subsidy recovered. This is mitigated by an earmarked reserve that the Council maintains;
- **Pay** – the budget has been updated to reflect the pay review undertaken by the National Joint Council (NJC) along with annual increments.
- **COVID 19** – The financial year 2020/21 has been like no other year with the global-wide Covid-19 pandemic hitting the United Kingdom with its full force in spring 2020 resulting in the Government introducing its first lockdown in March 2020 whereby everyone was told to stay at home. This meant that many businesses were effectively shut down overnight especially within the retail, hospitality and leisure sector. People working in these sectors lost their income overnight. The Government were quick to respond and introduced several measures in the form of grants and payment schemes e.g. furlough schemes for businesses to pay staff. The whole of the public sector had to respond at pace with many decisions having to be taken around enabling the whole workforce to work at home, introducing plans for service that still needed to be carry on, e.g. refuse collection, and introducing plans for those that had to close e.g. leisure centres.

The Government mandated district councils to distribute the COVID 19 business support grants. The Council received over £50 million to distribute and it responded quickly and set up a system to successfully distribute this to qualifying business across the district (as prescribed by the Government). Unspent grant balances will require to be repaid. Other work involved setting up systems to look after the vulnerable people in the district. This included working in partnership with local charities and volunteer groups to distribute food packages and deliver medicine. All of the homeless had to be taken into accommodation. Almost all of the Council's normal day to day operations and services were affected in some way and many services had to adapt and work in a flexible and responsive way. Legislation was passed that allowed Council meetings to take place over the internet; car park charges were suspended; theatres, museums and leisure centres were closed; accommodation had to be provided to keep the homeless safe. The Government has been compensating councils for loss of income e.g. rental income and fees and charges and for additional costs e.g. to enable the appointment of Covid support and Compliance officers who supported and advised local businesses and residents as well as monitoring and enforcing public protection issues through the lockdown periods, ensuring social distancing procedures were clear and public facilities remained safe.

As a result of the extent and length of the lockdown restrictions residents, businesses and visitors have changed their behaviours and practices and this has had and will have continue to have an impact on the Council's resources and budget in future years. This represents a significant challenge for the Council.

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The Council played an important role in leading the response to the pandemic and ensuring its residents, visitors and business owners were supported and protected. The Council responded well in all areas and should be proud of what it achieved during the year.

- **Temporary accommodation** – the Council saw a shortfall in housing benefit subsidy in 2020/21 of £574k of which £443k related to unrecoverable Temporary Accommodation costs. The Council is currently acquiring local properties to use directly to help manage the cost of this provision. This cost is however still increasing year on year at an alarming rate and will be closely monitored during the next financial year as the impact of COVID will undoubtedly cause this cost to increase further.

10.2 The Council does however have a number of work streams in place to help address these risks and also has a healthy reserve position to support in the short to medium term.

10.3 The disclosures required for the financial year ending 31 March 2021 in relation to the Council's pension scheme are on pages **56 to 62** and show a Net Pension Liability of £57.99m as at 31 March 2021 (£43.6m at 31 March 2020). The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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.

11. Basis of preparation and presentation

11.1 As part of preparing the accounts the Council needs to consider how 'material' or important a transaction might be or the value of a transaction on the understanding of the accounts and for the 2020/21 accounts these levels are as follows:

- Materiality (£0.917m) - materiality has been set at £0.917m, which represents 1.75% of the prior year's gross expenditure on provision of services. This is the maximum amount by which the Council believes the statements could be misstated, by known or unknown error or fraud, and still not affect the decisions of reasonable financial statement users.

12. Further information

12.1 For further information about these accounts please contact the finance team at accountancy@north-norfolk.gov.uk.

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STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Certification

I confirm that this **Statement of Accounts** has been approved by myself, Councillor John Toye, Chair of the Governance, Risk and Audit Committee on 20 September 2023. Delegated authority for the Chair of the Committee to sign the Accounts in consultation with the Section 151 Officer was given at its meeting on 6 December 2022.



Signed on Behalf of North Norfolk District Council

STATEMENT OF RESPONSIBILITIES

The Chief Finance Officer's Responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority code.

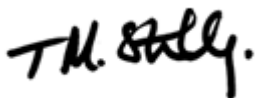
The Chief Finance Officer has also:

- 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 Council at the reporting date and of its expenditure and income for the year ended 31 March 2021.

Dated: 20/09/2023



Tina Stankley CPFA, Director of Resources

THE FINANCIAL STATEMENTS 2020/21

THE FINANCIAL STATEMENTS 2020/21

Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the CIES below, to the Council's management accounts. The EFA shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by Local Authorities in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments.

2019/20			2020/21		
Net Expenditure chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
274	1,180	1,454	1,108	143	1,251
246	464	710	2,992	323	3,315
1,565	315	1,880	1,347	143	1,490
4,979	673	5,652	3,318	4,743	8,061
4,429	411	4,840	2,952	343	3,295
4,527	(1,718)	2,809	6,062	520	6,582
2,422	310	2,732	1,437	257	1,694
18,442	1,635	20,077	19,216	6,472	25,688
		Cost of Services			
2,391	(369)	2,022	2,520	(1,558)	962
(1,137)	4,544	3,407	(1,236)	(2,200)	(3,436)
(15,706)	(2,484)	(18,190)	(26,058)	7,327	(18,731)
(14,452)	1,691	(12,761)	(24,774)	3,569	(21,205)
		Other Income & Expenditure			
3,990	3,326	7,316	(5,558)	10,042	4,483
		(Surplus) or Deficit on Provision of Services			
23,217		Opening General Fund Balances	19,227		
(3,990)		Add surplus on GF in year	5,558		
19,227		Closing General Fund Balances at 31 March 2021	24,785		

THE FINANCIAL STATEMENTS 2020/21

Comprehensive Income and Expenditure Statement (CIES)

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.

2019/20			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,902	(448)	1,454	CLT / Corporate	1,299	(48)	1,251
1,634	(924)	710	Customer Services & ICT	4,597	(1,282)	3,315
2,352	(473)	1,879	Legal & Democratic Services	2,337	(847)	1,490
29,931	(24,279)	5,652	Community, Economic Development and Coast	11,094	(3,033)	8,061
8,924	(4,083)	4,841	Environmental Health	7,428	(4,133)	3,295
25,999	(23,190)	2,809	Finance & Assets	35,425	(28,843)	6,582
4,183	(1,451)	2,732	Planning	3,044	(1,350)	1,694
74,925	(54,848)	20,077	Cost of Services	65,224	(39,536)	25,688
		2,022	Other Operating Expenditure			962
4,653	(1,246)	3,407	Financing and Investment Income and Expenditure	1,001	(4,437)	(3,436)
		(18,190)	Taxation and Non-Specific Grant Income			(18,731)
		7,316	(Surplus) or Deficit on Provision of Services			4,483
		1,127	(Surplus) or Deficit on revaluation of Plant, Property and Equipment Assets			(1,611)
		(9,250)	Actuarial (gains)/losses on pension assets/liabilities			12,995
		(8,123)	Other Comprehensive Income and Expenditure			11,384
		(807)	Total Comprehensive Income and Expenditure			15,867

THE FINANCIAL STATEMENTS 2020/21

Movement in Reserves Statement (MIRS)

This shows the movement in the year of the different reserves held by the Council, analysed into 'usable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The Net Increase/Decrease before the 'Transfers (to)/from Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council. The total Council reserves at 31 March 2021 as shown in the MIRS agrees to the Balance Sheet value of £23.191 million. The significant movement in earmarked reserves is in relation to the surplus on Business Rates Section 31 grants which includes £9.116m of grant received by the Council to compensate for the loss of Business Rates income as a result of the extended retail hospitality and leisure businesses to support them through the pandemic. Further information is included at note 9.

Note	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2019	2,361	20,856	6,691	29,909	8,283	38,193
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	(7,316)	0	0	(7,316)	8,123	807
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8 3,325	0	(1,907)	1,418	(1,418)	0
Transfers (to)/from Earmarked Reserves	9 4,033	(4,033)	0	0	0	0
Increase or (decrease) in 2019/20	42	(4,033)	(1,907)	(5,898)	6,705	807
Balance at 31 March 2020 carried Forward	2,404	16,822	4,785	24,011	14,986	38,999
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	(4,483)	0	0	(4,483)	(11,384)	(15,867)
Adjustments from Income and Expenditure charged under the accounting basis to the funding basis	8 10,042	0	(730)	9,312	(9,312)	0
Transfers (to)/from Earmarked Reserves	9 (5,603)	5,603	0	0	0	0
Increase or (decrease) in 2020/21	(44)	5,603	(730)	4,829	(20,696)	(15,867)
Balance at 31 March 2021 Carried Forward	2,361	22,424	4,055	28,840	(5,710)	23,131

THE FINANCIAL STATEMENTS 2020/21

Balance Sheet as at 31 March 2021

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

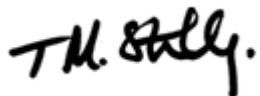
31 March 2020		31 March 2021
£000	Note	£000
56,553 Property, Plant and Equipment	30	63,458
831 Investment Property	27	842
838 Intangible Assets	28	1,076
30,060 Long Term Investments	39	33,159
2,569 Long Term Debtors	33/39	2,471
90,850 Long Term Assets		101,007
77 Short Term Investments	39	87
15 Inventories		14
4,386 Short Term Debtors	33	14,266
6,585 Cash and Cash Equivalents	18	9,814
712 Assets held for sale	32	922
11,776 Current Assets		25,102
0 Bank Overdraft	18	(937)
(5,004) Short Term Borrowing	39	(7,000)
(13,185) Short Term Creditors	34	(35,038)
(1,172) Capital Grants Receipts in Advance	38	(1,393)
(681) Short Term Provisions	35	(621)
(20,041) Current Liabilities		(44,988)
(43,586) Other Long Term Liabilities	24	(57,990)
(43,586) Long term Liabilities		(57,990)
38,999 Net Assets		23,131

THE FINANCIAL STATEMENTS 2020/21

31 March 2020		31 March 2021
£000	Note	£000
Usable Reserves:		
2,404 General Fund Balance		2,361
16,823 Earmarked Reserves	9	22,424
4,784 Capital Receipts Reserve		4,055
24,011 Total Usable Reserves		28,840
Unusable Reserves:		
16,294 Revaluation Reserve	14	17,727
(1,939) Pooled Fund Adjustment Account	14(a)	1,258
42,499 Capital Adjustment Account	14(b)	39,342
(43,586) Pensions Reserve	14(c)	(57,990)
1,873 Collection Fund Adjustment Account	14(d)	(5,579)
(153) Accumulated Compensated Absences Adjustment Account	14(e)	(468)
14,988 Total Unusable Reserves	14(f)	(5,710)
38,999 Total Reserves		23,131

The Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2021. The notes on pages 10 to 95 form part of the financial statements

Dated: 20 September 2023



Tina Stankley CPFA, Director of Resources

THE FINANCIAL STATEMENTS 2020/21

Cash Flow Statement

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

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

31 March 2020	Note	31 March 2021
£000		£000
(7,316) Net Surplus on the provision of services	7	(4,483)
9,605 Adjust Net Surplus/(Deficit) on the provision of services for non cash movements	15	31,114
1,665 Adjust for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	15	270,839
3,954 Net Cash Flows generated from (used in) Operating Activities		297,470
(971) Investing Activities	16	(285,624)
315 Financing Activities	17	(9,553)
3,298 Net Increase or (Decrease) in Cash and Cash Equivalents		2,293
3,287 Cash and Cash Equivalents at the beginning of the reporting period	18	6,585
6,585 Cash and Cash Equivalents at the end of the reporting period	18	8,877

NOTES TO THE ACCOUNTS

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21 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.

A local authority's Statement of Accounts are prepared on a going concern basis, this is, the accounts should be prepared on the assumption that the Council will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

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 Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.

NOTES TO THE ACCOUNTS

Where the Council 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 Council for the agency services rendered or the Council 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.

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 Council'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 changes to the accounting policies in the year relating to Financial Instruments to reflect the changes brought about by IFRS 9. There were 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 Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations.

F Employee Benefits

Benefits Payable during Employment

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

NOTES TO THE ACCOUNTS

render services to the Council. 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for 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 Council 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 Council.

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 2011, the Local Government Pension Scheme (Administration) Regulations 2009 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2014.

- The liabilities of the Norfolk Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (2.3% in 2019/20). 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:-

NOTES TO THE ACCOUNTS

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 Council 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact 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.

NOTES TO THE ACCOUNTS

Discretionary Benefits

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

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.

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 Council's financial performance.

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and Government grants, do not give rise to financial instruments.

I Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity which is potentially unfavourable to the Council.

NOTES TO THE ACCOUNTS

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- Short term loans from other local authorities
- Overdrafts with Barclays bank
- Lease payables
- Trade payables for goods and services received

J Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised Cost (where cash flows are solely payments of principle and interest and the Council's business model is to collect those cash flows) comprising:

- Cash in hand
- Bank current and deposit accounts with Barclays bank
- Loans to other local authorities
- Loans to small companies and housing associations
- Covered bonds issued by banks and building societies
- Trade receivables for goods and services provided

Fair value through profit and loss (all other financial assets) comprising:

- Money market funds
- Pooled bond, equity and property and multi-asset funds

Where loans are advanced at below market rates, they are classed as 'Soft Loans' and specific accounting requirements apply to them. The Council 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.

NOTES TO THE ACCOUNTS

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 Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure 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 Council 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 Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council 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 Council 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.

NOTES TO THE ACCOUNTS

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 bar stock 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.

NOTES TO THE ACCOUNTS

The Council as Lessee

Finance Leases

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

NOTES TO THE ACCOUNTS

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease 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 Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

NOTES TO THE ACCOUNTS

P Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

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 Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimis 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 Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Surplus assets – fair value, determined by the measurement of the highest and best use value of the asset
- All other assets - fair value, determined by the amount that would be paid for the asset in its existing use (existing use value - EUV).

NOTES TO THE ACCOUNTS

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.

Impairment

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

Where impairment losses are identified, they are accounted for 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.

NOTES TO THE ACCOUNTS

Disposals

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

Amounts received for a disposal in excess of £10,000 are 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.

Depreciation

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

NOTES TO THE ACCOUNTS

Depreciation 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 Council 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.

NOTES TO THE ACCOUNTS

R Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation 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 Council 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 Council 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 Council settles the obligation. Provisions for bad and doubtful debts are maintained in respect of possible losses from non-collection of amounts owing to the Council. 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 Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

NOTES TO THE ACCOUNTS

S Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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 Council - 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

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 Council 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 Council has been required to show Council tax income in the Comprehensive Income and Expenditure Account as accrued income.

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

NOTES TO THE ACCOUNTS

The Council'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 Council 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 Council 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 Council's financial statements are categorised within the fair value hierarchy as follows:

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

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

Level 3 – unobservable inputs for the asset or liability.

NOTES TO THE ACCOUNTS

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

The Code of Practice on Local Authority Accounting in the UK 2020-21 has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2021-22 financial statements from 1 April 2021.

The Council is required to disclose information relating to the impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Council. The Council is required to make disclosure of the estimated effect of the new standard in these financial statements.

The following accounting standards have changes next year, but these are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

- Definition of a Business: Amendments to IFRS 3 Business combinations
- Interest rate benchmark reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest rate benchmark reform – phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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.
- NNDR ratings list alterations- are estimates made for the expected loss of income as a result of alterations of ratings lists following the Check, Challenge, Appeal process. This based on currently outstanding checks, challenges and appeals and as well as expected further ones based on historical values.

NOTES TO THE ACCOUNTS

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 Council 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 Council's Balance Sheet at 31 March 2021 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 Council 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 Council'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 Council's assets and liabilities. Where Level 1 inputs are not available, the Council has used relevant experts to identify the most appropriate valuation technique to determine fair value.	The Council 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.

NOTES TO THE ACCOUNTS

Pensions Liability	<p>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.</p>	<p>The effects on the net pension 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 £13.780m.</p> <ul style="list-style-type: none"> (i) A one year increase in member life expectancy would result in an increase of approximately 3 to 5% in the pension liability. In practice, the actual cost will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). (ii) If salaries were to increase by 0.5% more than anticipated, the pension liability would increase by 1%, approximating to £1.534m. (iii) If pensions payable were to increase by 0.5% more than anticipated, the pension liability would increase by 8%, approximating to £11.940m.
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5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 20 September 2023. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council was marketing The Cedars in North Walsham for sale during 2020 and 2021 and so it was classified as an Asset Held for Sale as at the Balance Sheet date. However in June 2021, the Cabinet agreed to formally withdraw the property from the market. Withdrawing the property from the sale market has been identified as a non-adjusting event.

NOTES TO THE ACCOUNTS

6. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020-21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net Change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
CLT / Corporate	62	58	23	143
Customer Services & ICT	161	134	29	324
Legal & Democratic Services	51	93	(1)	143
Community, Economic Development and Coast	4,542	96	105	4,743
Environmental Health	226	83	33	342
Finance & Assets	616	(179)	82	519
Planning	87	126	44	257
Net cost of services	5,745	411	315	6,471
Other Operating Expenditure	(1,557)	0	0	(1,557)
Financing and Investment Income and Expenditure	0	998	(3,198)	(2,200)
Taxation and Non-Specific Grant Income	(124)	0	7,452	7,328
Other Income & Expenditure from the Expenditure and Funding Analysis	(1,681)	998	4,254	3,571
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	4,064	1,409	4,569	10,042

NOTES TO THE ACCOUNTS

6. Note to the Expenditure and Funding Analysis (Cont'd)

Adjustments between Funding and Accounting Basis 2019-20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net Change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
CLT / Corporate	1,058	144	(22)	1,180
Customer Services & ICT	218	262	(17)	463
Legal & Democratic Services	130	191	(6)	315
Community, Economic Development and Coast	498	195	(20)	673
Environmental Health	217	209	(15)	411
Finance & Assets	(1,387)	(305)	(25)	(1,717)
Planning	58	264	(12)	310
Net cost of services	792	960	(117)	1,635
Other Operating Expenditure	(369)	0	0	(369)
Financing and Investment Income and Expenditure	0	1,233	3,311	4,544
Taxation and Non-Specific Grant Income	(1,228)	0	(1,256)	(2,484)
Other Income & Expenditure from the Expenditure and Funding Analysis	(1,597)	1,233	2,055	1,691
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(805)	2,193	1,938	3,326

NOTES TO THE ACCOUNTS

1) Adjustments for Capital Purposes

- **Adjustments for capital purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for these assets.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with the capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2) Net Change in Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

- **For services** this represents the removal of the employer's pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

3) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This timing difference as any difference will be brought forward in future surpluses and deficits on the Collection Fund.

NOTES TO THE ACCOUNTS

7. Expenditure and Income Analysed by Nature

	2019/20	2020/21
Expenditure/ Income	£000	£000
Expenditure		
Employee Benefits expenses	14,649	14,730
Other Services Expenses	35,444	36,434
Support Service Recharges	14,472	11,541
Depreciation, amortisation, impairment, DRF	9,456	6,475
Interest payments	12	10
Precepts and Levies	2,391	2,520
Gain on the disposal of assets	(369)	(1,557)
Total Expenditure	76,055	70,153
Income		
Fees, Charges and other service income	27,111	11,410
Interest and Investment Income	1,247	1,239
Income from Council tax, non-domestic rates, district rate income	15,717	28,478
Government Grants and Contributions	24,663	24,543
Total Income	68,738	65,670
Surplus or Deficit on the Provision of Services	7,317	4,483

NOTES TO THE ACCOUNTS

8. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000
Adjustments involving the Capital Adjustment Account			
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Charges for depreciation and impairment of non-current assets	916	0	(916)
Revaluation losses on Property, Plant and Equipment	5,837	0	(2,065)
Movements in the market value of Investment Properties	(9)	0	9
Amortisation of intangible assets	241	0	(241)
Capital Grants and Contributions that have been applied to capital financing	(124)	0	294
Revenue Expenditure Funded from Capital Under Statute	628	0	(628)
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	(1,557)	0	1,557
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Statutory provision for the financing of capital investment	0	0	0
Capital expenditure charged against the General Fund	(1,867)	0	1,867

NOTES TO THE ACCOUNTS

2020/21	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£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	1,677	(1,677)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,407)	2,407
Adjustments involving the Pooled Fund Adjustment Account			
Amount of Gain/ loss on the pooled fund Fair Value changes debited or credited to the Comprehensive Income and Expenditure Statement.	(3,198)	0	3,198
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	4,044	0	(4,044)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,635)	0	2,635
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	7,451	0	(7,451)
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	315	0	(315)
Total Adjustments	10,042	(730)	(9,312)

NOTES TO THE ACCOUNTS

2019/20	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000
Adjustments involving the Capital Adjustment Account			
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Charges for depreciation and impairment of non-current assets	(127)	0	127
Revaluation losses on Property, Plant and Equipment	1,460	0	(1,460)
Movements in the market value of Investment Properties	60	0	(60)
Amortisation of intangible assets	401	0	(401)
Capital Grants and Contributions that have been applied to capital financing	(1,228)	0	1,228
Revenue Expenditure Funded from Capital Under Statute	1,655	0	(1,655)
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	(369)	0	369
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Statutory provision for the financing of capital investment	0	0	0
Capital expenditure charged against the General Fund	(2,656)	0	2,656

NOTES TO THE ACCOUNTS

2019/20	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£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	432	(432)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,339)	2,339
Adjustments involving the Pooled Fund Adjustment Account			
Amount of Gain/ loss on the pooled fund Fair Value changes debited or credited to the Comprehensive Income and Expenditure Statement.	3,311	0	(3,311)
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	4,872	0	(4,872)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,680)	0	2,680
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	(1,256)	0	1,256
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	(117)	0	117
Total Adjustments	3,325	(1,907)	(1,418)

NOTES TO THE ACCOUNTS

General Fund Balance - The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.

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

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

NOTES TO THE ACCOUNTS

9. 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 2020/21. The surplus on Business Rates Section 31 grants which includes £9.116m of grant received by the Council to compensate for the loss of Business Rates income as a result of the extended retail hospitality and leisure businesses to support them through the pandemic. The legislation that governs collection fund accounting means the related deficits as a result of the loss of business rates income in-year will not be charged to the council's general fund until 2021/22. As a result the £9.116m has been transferred to the business rates reserve and will be drawn down to offset the deficit in 2021/22, these resources are not available funds.

	Balance at 1 April 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000
Asset Management	1,557	(153)	20	1,424	(478)	10	956
Benefits	1,340	(505)	63	898	(223)	56	731
Broadband	1,000	(1,000)	0	0	0	0	0
Building Control	191	0	21	212	(35)	0	177
Business Rate Retention	2,437	(373)	0	2,064	(1,100)	4,636	5,600
Capital Projects Reserve	2,480	(1,212)	36	1,304	(398)	0	906
Coast Protection	181	(12)	70	239	(37)	61	263
Communities	1,652	(677)	26	1,001	(205)	0	796
Delivery Plan Reserve	0	0	0	0	(217)	3,131	2,914
Economic Development & Regeneration	171	(14)	9	166	(10)	0	156
Election Reserve	123	(160)	40	3	0	50	53
Enforcement Board	137	(24)	0	113	(11)	0	102
Environmental Health	323	0	13	336	(150)	42	228
Environment	0	0	0	0	0	150	150
Grants	537	(3)	75	609	(57)	1,429	1,981
Grassed Area Deposits	371	0	0	371	0	0	371
Housing	2,535	(294)	288	2,529	(434)	422	2,517
Land Charges	289	0	18	307	0	35	342
Legal	129	0	67	196	(37)	0	159

NOTES TO THE ACCOUNTS

	Balance at 1 April 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000
LSVT Reserve	435	(435)	0	0	0	0	0
New Homes Bonus	512	(220)	0	292	(12)	0	280
Organisational Development	314	(59)	14	269	(100)	31	200
Pathfinder	143	(15)	0	128	(20)	0	108
Planning - Revenue	110	0	50	160	(42)	50	168
Property Investment Fund	2,000	(1,001)	0	999	(733)	0	266
Property Company	0	0	0	2,000	0	0	2,000
Restructuring and Invest to Save	1,883	(683)	0	1,200	(330)	130	1,000
Sports Hall Equipment/Sports Facilities	6	(3)	0	3	(1)	0	2
Total	20,856	(6,843)	2,810	16,821	(4,630)	10,233	22,424

Total transfers out during 2020/21

(4,630)

Total transfers in during 2020/21

10,233

Net Movement in Earmarked Reserves in 2020/21

5,603

NOTES TO THE ACCOUNTS

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.

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.

Communities – 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.

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.

NOTES TO THE ACCOUNTS

Housing – Includes Community Housing Fund grant received from the Ministry of Housing, Communities and Local Government (MHCLG) This is to support community led housing schemes and assisting in the delivery of affordable housing within the area.

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, including the support of apprenticeship and intern programmes.

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.

Property Investment Fund – To provide funding for the acquisition and development of new land and property assets

Property Company – To fund potential housing development and property related schemes

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.

NOTES TO THE ACCOUNTS

10. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2019/20	2020/21
£000	£000
2,391 Parish Council Precepts	2,520
<u>(369) (Gains) on the disposal of non-current assets</u>	<u>(1,558)</u>
2,022 Total	962

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

2019/20	2020/21
£000	£000
39 Interest payable and similar charges	3
1,233 Pensions interest cost and expected return on pensions assets	998
3,311 Fair value changes of pooled funds	(3,198)
(1,236) Interest receivable and similar income	(1,230)
<u>60 Changes in the fair value of investment property</u>	<u>(9)</u>
3,407 Total	(3,436)

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

2019/20	2020/21
£000	£000
(8,478) Council Tax Income	(8,708)
(7,240) Non Domestic Rates	(5,646)
0 Revenue Support Grant	(90)
(1,244) Other Non ringfenced government grants	(4,163)
<u>(1,228) Capital grants and contributions</u>	<u>(124)</u>
(18,190) Total	(18,731)

NOTES TO THE ACCOUNTS

13. Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 8 and 9.

14. Balance Sheet – Unusable Reserves

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

2019/20 £000	2020/21 £000
16,294 Revaluation Reserve	17,727
(1,939) Pooled Fund Adjustment Account	1,258
42,499 Capital Adjustment Account	39,342
0 Financial Instruments Adjustment Account	0
(43,586) Pensions Reserve	(57,990)
1,873 Collection Fund Adjustment Account	(5,579)
(153) Accumulated Compensated Absences Adjustment Account	(468)
14,989 Total Unusable Reserves	(5,710)

14(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

NOTES TO THE ACCOUNTS

2019/20 £000	2020/21 £000
17,651 Balance at 1 April	16,294
3,085 Upward revaluation of assets	4,531
(4,212) Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(2,920)
(230) Difference between fair value depreciation and historical cost depreciation	(178)
<u>16,294 Balance at 31 March</u>	<u>17,727</u>

14(b) Pooled Fund Adjustment Account

The Pooled Fund Adjustment Account contains the gains made by the Council arising from increases in the value of its investments in pooled funds and are therefore accounted for under IFRS9 at fair value through profit and loss. A statutory override currently applies enabling gains or losses to be transferred to this unusable reserve, thereby protecting the Council Tax payer from changes in fair value on these investments. The balance is reduced when investments with accumulated gains are:

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

2019/20 £000	2020/21 £000
1,371 Balance at 1 April	(1,939)
(3,311) (Downward)/Upward revaluation of investments charged to the surplus/deficit on the provision of services.	3,198
<u>(1,939) Balance 31 March</u>	<u>1,258</u>

NOTES TO THE ACCOUNTS

14(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 Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE ACCOUNTS

2019/20	2020/21
£000	£000
39,559 Balance at 1 April	42,499
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
6,481 Charges for Depreciation and impairment on non-current assets	(916)
(7,815) Revaluation losses on Property, Plant and Equipment	(6,007)
(401) Amortisation of intangible assets	(241)
(1,655) Revenue expenditure funded from capital under statute	(629)
(63) 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	0
36,106	34,706
230 Adjusting amounts written out of the revaluation reserve	179
36,336 Net written out amount of the cost of non current assets consumed in the year	34,885
<u>Capital Financing applied in the year:</u>	
2,339 Use of capital receipts reserve to finance new capital expenditure	2,287
1,228 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statements that have been applied to capital financing	294
0 Statutory provision for the financing of capital investment charged against the General Fund balance	0
2,656 Capital expenditure charged against the General Fund Balance	1,867
42,559	39,333
(60) Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	9
42,499 Balance at 31 March	39,342

* The revenue expenditure funded from capital under statute (REFCUS) grant funding has been applied to the REFCUS line of the CAA note above. Please refer to Note 31 - Capital Expenditure and Capital Financing for the gross balances.

NOTES TO THE ACCOUNTS

14(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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The deficit on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20	2020/21
£000	£000
(50,644) Balance at 1 April	(43,586)
9,250 Actuarial gains/(losses) on pensions assets and liabilities	(12,995)
Reversal of items relating to retirement benefits debited or (4,872) credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(4,044)
2,680 Employer's pension contributions and direct payments to pensioners payable in the year	2,635
<u>(43,586) Balance at 31 March</u>	<u>(57,990)</u>

NOTES TO THE ACCOUNTS

14(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.

2019/20	2020/21
£000	£000
617 Balance at 1 April	1,873
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	(7,452)
1,873 Balance at 31 March	(5,579)

14(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.

2019/20	2020/21
£000	£000
(270) Balance at 1 April	(153)
270 Settlement or cancellation of an accrual made at the end of the preceding year	153
(36) Amounts accrued at the end of the current year	(153)
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	(315)
(153) Balance at 31 March	(468)

NOTES TO THE ACCOUNTS

15. Cash Flow Statement – Arising from Operating Activities

The cash flows for operating activities include the following items:

2019/20	2020/21
£000	£000
1,398 Interest Received	1,324
(39) Interest Paid	(7)
1,359 Net cash flows from operating activities	1,317

2019/20	The surplus or deficit on the provision of services has been adjusted for the following	2020/21
£000	non-cash movements	£000
(127) Depreciation		915
1,460 Impairment and downward valuations		6,127
401 Amortisation		241
1,716 Increase in Creditors		24,196
162 (Decrease) in Interest and Dividend Debtors		0
362 Increase / (Decrease) in Debtors		712
5 Increase / (Decrease) in Inventories		1
2,192 Movement in Pension Liability		1,409
63 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised		0
3,371 Movement in Investment Property Values		(2,487)
9,605		31,114

2019/20	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2020/21
£000		£000
(1,228) Capital Grants credited to surplus or deficit on the provision of services		0
13 Net adjustment from the sale of short and long term investments		271,970
(431) Proceeds from the sale of property plant and equipment, investment property and intangible assets		0
3,311 Fair value Pooled Funds		0
0 Other Items for which the cash effects are investing or cash flows		(1,131)
1,665		270,839

NOTES TO THE ACCOUNTS

16. Cash Flow Statement – Investing Activities

2019/20	2020/21
£000	£000
(7,484) Purchase of property, plant and equipment, investment property and intangible assets	(13,043)
0 Purchase of short-term and long-term investments	(271,970)
431 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
4,250 Proceeds from short-term and long-term investments	0
1,833 Other receipts from investing activities	(611)
(971) Net cash flows from investing activities	(285,624)

17. Cash Flow Statement – Financing Activities

2019/20	2020/21
£000	£000
2,003 Cash receipts of short-term and long-term borrowing	7,000
0 Other receipts from financing activities	403
0 Repayments of short-term and long-term borrowing	(5,000)
(1,688) Other payments for financing activities	(11,956)
315 Net cash flows from financing activities	(9,553)

18. Cash Flow Statement – Cash and Cash Equivalents

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

2019/20	2020/21
£000	£000
3 Cash held by officers	4
314 Bank current accounts	(937)
6,268 Investments in liquidity Money Market Funds	9,810
6,585 Total cash and cash equivalents	8,877

NOTES TO THE ACCOUNTS

19. Trading Operations

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

	2019/20		2020/21	
	£000	£000	£000	£000
<p>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.</p>	(45)		(30)	
	87		84	
		42		54
<p>The Council lets a total of 16 industrial units and self-occupies 1 over three sites in Catfield, North Walsham and Fakenham. The Catfield and North Walsham sites offer 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. In addition, the Council acquired 3 units at Hornbeam Road, North Walsham in December 2020.</p>	(145)		(133)	
	129		100	
		(16)		(33)
Net (surplus) / deficit on trading operations:		26		21

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 the relevant service area within the CIES Cost of Services.

The surplus is due to lower income from market traders because of the Covid pandemic, offset by accumulated depreciation held against the assets following revaluations in 2019/20.

	2019/20 £000	2020/21 £000
Net deficit/(surplus) on trading operations	26	21
Services to the public included in expenditure of continuing operations	(3)	(2)
Support services recharged to expenditure of continuing operations	0	2
Net deficit / (surplus) debited / (credited) to other operating expenditure	23	20

NOTES TO THE ACCOUNTS

20. External Audit Costs

The Council 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 Council's external auditors:

	2019/20	2020/21
	Ernst	Ernst
	Young	Young
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	42	42
Fees payable for the certification of grant claims and returns for the year	12	15
Additional fees in respect of the prior year audit	9	60
Total	63	117

21. Members Allowances

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

2019/20		2020/21
£		£
297,417	Allowances	309,419
28,823	Expenses	1,617
326,240		311,036

NOTES TO THE ACCOUNTS

22. Officers' Remuneration

The following table sets out the remuneration paid to the Council's senior officers. A senior officer is defined as being a statutory chief officer as defined in the Local Government and Housing Act (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 Council, being able to direct or control its major activities, whether solely or collectively.

<u>For the period 1st April 2020 to 31st March 2021</u>		Salary, Fees and Allowance	Bonuses	Expenses Allowances	Compensation for Loss of Office	Sub-total	Pension Contribution	Total
<u>Job Title</u>		£	£	£	£		£	£
<u>1st April 2020 to 31st March 2021</u>								
Head of Paid Service (1 April 20 - 31 Oct 20) Chief Executive (1 Nov 20 - 31 March 21)	2020/21	108,650	0	963	0	109,613	15,754	125,367
Director for Place (vacant)	2020/21	0	0	0	0	0	0	0
Director for Communities	2020/21	31,604	0	401	0	32,005	4,583	36,588
Director for Resources and Section 151 Officer	2020/21	80,031	0	963	0	80,994	11,604	92,598
Monitoring Officer	2020/21	73,968	0	803	0	74,770	9,540	84,310
<u>1st April 2019 to 31st March 2020</u>								
Corporate Director and Head of Paid Service	2019/20	102,605	0	963	0	103,568	14,878	118,446
Corporate Director and Head of Paid Service - N Baker	2019/20	137,551	0	922	80,443	218,915	303,034	521,949
Section 151 Officer	2019/20	76,837	0	963	0	77,800	11,141	88,941
Monitoring Officer	2019/20	76,837	0	963	0	77,800	11,141	88,941

In November 2020 a restructure was undertaken and a Chief Executive and 3 directors were created. One director post remains vacant and the Section 151 officer post has been amalgamated with the Director of Resources. The Monitoring Officer was vacant from 31/01/21.

NOTES TO THE ACCOUNTS

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:

2019/20	Remuneration Band	2020/21
Number of Employees		Number of Employees
5	£50,000 - £54,999	8
3	£55,000 - £59,999	1
2	£60,000 - £64,999	2
0	£65,000 - £69,999	1

23. 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.

	2019/20				2020/21			
	Compulsory Redundancies	Other Departures	Total Number of Employees	Total Amount £	Compulsory Redundancies	Other Departures	Total Number of Employees	Total Amount £
	Number of Employees	Number of Employees			Number of Employees	Number of Employees		
Bandings								
£0 to £20,000	0	4	4	30,375	0	1	1	5,493
£20,001 to £40,000	0	0	0	0	0	0	0	0
£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
£100,001 to £150,000	0	0	0	0	0	0	0	0
£150,001 to £200,000	0	0	0	0	0	0	0	0
£200,001 to £250,000	0	0	0	0	0	0	0	0
£250,001 to £300,000	0	0	0	0	0	0	0	0
£300,001 to £350,000	0	0	0	0	0	0	0	0
£350,001 to £400,000	0	1	1	388,919	0	0	0	0
	0	5	5	419,293	0	1	1	5,493

24. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post- employment schemes:

- The Local Government Pension Scheme, administered locally by Norfolk County Council - this was a funded defined benefit final salary scheme up to 31/03/2014 then replaced with a Career Average Revalued Earnings (CARE) scheme from the 01/04/2014, The Council 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 Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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:

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme 2019/20 £000	Local Government Pension Scheme 2020/21 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services:</u>		
Current service cost	3,639	3,046
Past Service Costs loss	0	0
 <u>Financing and Investment Income and Expenditure:</u>		
Interest cost	2,972	2,575
Expected return on scheme assets	(1,739)	(1,577)
Total post-employment benefit charged to the surplus/deficit on the provision of services	4,872	4,044
 <u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:</u>		
Actuarial gains and (losses)	9,250	(12,995)
Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement	(14,122)	8,951
 <u>Movement in Reserves Statement:</u>		
Reversal of net charges made to the surplus/deficit for the provision of services for post-employment benefits in accordance with the code	(4,872)	(4,044)
 <u>Actual amount charged against the general fund balance for pensions in the year:</u>		
Employers' contributions payable to scheme	2,680	2,635

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2021 is a loss of £39.743m (£25.953m at 31 March 2020).

NOTES TO THE ACCOUNTS

Assets and liabilities in relation to post-employment benefits

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

	Pension Scheme Funded Liabilities Local Government	
	2019/20 £000	2020/21 £000
Opening Balance at 1 April	123,246	112,532
Current service cost	3,639	3,046
Interest cost	2,972	2,575
Contributions by scheme participants	559	589
Actuarial (gains) and losses	(14,332)	28,212
Benefits paid	(3,298)	(3,341)
Unfunded Benefits paid	(254)	(251)
Past service costs	0	0
Closing Balance at 31 March	112,532	143,362

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

	Local Government Pension Scheme	
	2019/20 £000	2020/21 £000
Opening balance at 1 April	72,602	68,946
Expected rate of return	1,739	1,577
Actuarial gains	(5,082)	15,217
Employers contributions	2,426	2,384
Contributions by scheme participants	559	589
Contributions in respect of Unfunded Benefits	254	251
Benefits paid	(3,298)	(3,341)
Unfunded Benefits paid	(254)	(251)
Closing balance at 31 March	68,946	85,372

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets

	31 March 2020				31 March 2021			
	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	2,544.2	0.0	2,544.2	4%	0.0	0.0	0.0	0%
Manufacturing	2,017.4	0.0	2,017.4	3%	0.0	0.0	0.0	0%
Energy & Utilities	615.2	0.0	615.2	1%	0.0	0.0	0.0	0%
Financial Institutions	1,724.6	0.0	1,724.6	3%	0.0	0.0	0.0	0%
Health & Care	1,593.7	0.0	1,593.7	2%	0.0	0.0	0.0	0%
Information Technology	2,119.0	0.0	2,119.0	3%	0.0	0.0	0.0	0%
Other	1.1	0.0	1.1	0%	0.0	0.0	0.0	0%
Debt Securities:								
Corporate Bonds (Investment Grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Corporate Bonds (Non- Investment Grade)	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
UK Government	797.9	0.0	797.9	1%	962.4	0.0	962.4	1%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Private Equity:								
All	0.0	4,131.9	4,131.9	6%	0.0	5,364.9	5,364.9	6%

NOTES TO THE ACCOUNTS

Fair Value of Employer Assets (cont'd)

	31 March 2020				31 March 2021			
	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	5,907.8	5,907.8	9%	0.0	6,723.6	6,723.6	8%
Overseas Property	0.0	1,352.8	1,352.8	2%	0.0	1,710.0	1,710.0	2%
Investment Funds & Unit Trusts:								
Equities	19,844.7	0.0	19,844.7	29%	37,681.6	0.0	37,681.6	45%
Bonds	22,657.8	0.0	22,657.8	33%	25,102.4	0.0	25,102.4	30%
Infrastructure	0.0	1,917.7	1,917.7	3%	0.0	5,347.6	5,347.6	6%
Derivatives:								
Foreign Exchange	0.0	(96.3)	(96.3)	0%	31.3	0.0	31.3	0%
Other	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
Cash & Cash Equivalents								
All	0.0	1,816.5	1,816.5	3%	1,318.9	0.0	1,318.9	2%
TOTALS	53,916	15,030	68,946	100%	65,097	19,457	84,554	100%

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.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £57.990m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

NOTES TO THE ACCOUNTS

- 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 Council in the year to 31 March 2022 is £2.40m.

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 2019.

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 2019/20	Local Government Pension Scheme 2020/21
Mortality assumptions:		
<u>Longevity at 65 for current pensioners:</u>		
Men	21.7	21.9
Women	23.9	24.3
<u>Longevity at 65 for future pensioners:</u>		
Men	22.8	23.2
Women	25.5	26.2
Pension Increase Rate (CPI)	1.9%	2.85%
Rate of increase in salaries	2.6%	3.55%
Rate of discounting scheme liabilities	2.3%	2.00%

NOTES TO THE ACCOUNTS

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 2020	31 March 2021
	%	%
Equities	50	51
Bonds	34	31
Property	13	16
Cash	3	2
	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2020/21 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2021.

	2021	2020	2019	2018	2017
	%	%	%	%	%
Difference between the expected and actual return on assets	17.8	(7.4)	2.7	1.3	7.2
Experience gains and losses on liabilities	(0.7)	(2.0)	0.2	(0.1)	(1.2)

25. Related Parties

This disclosure note has been prepared using the Council's Register of Members' Declarations of interest in addition to a specific declaration obtained in respect of related party transactions from Members and Chief Officers.

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides most of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from Government departments are set out in the expenditure and income analysed by nature in note 7. Grant receipts outstanding at 31 March 2020 are shown in note 38.

NOTES TO THE ACCOUNTS

Members & Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 21. During 2020/21, works and services to the value of £1,022,771 were commissioned from companies in which twenty-nine members had an interest. Contracts were entered into in full compliance with the Council's standing orders.

The most significant total values for general expenditure were:

- £152,267 linked to the Broads Internal Drainage Board in which eight members had an interest.
- £552,575 linked to the North Norfolk Sports Centres in which three members had an interest.

In addition, the Council paid grants totalling £177,826 to voluntary organisations in which nine members had declared an interest. In all instances, the grants were made with proper consideration of declarations of interest. There were no material expenditure transactions involving Chief Officers.

The most significant total values for grant expenditure were:

- £68,340.00 to Visit North Norfolk/Visit East Anglia.
- £40,000.00 to the North Norfolk Community Transport Association.
- £28,500.00 to Sheringham Little Theatre.

There were no material expenditure transactions involving Chief Officers.

Income totalling £168,084.20 was received from entities in which twenty-four Members had an interest. There were no material expenditure transactions involving Chief Officers.

There was one significant value for income which was:

- £56,917.98 from Hill House Inns Ltd.

In all instances, the transactions were made with proper consideration of declarations of interest. The relevant persons linked to the above transactions did not take part in any discussion or decision relating to the expenditure/income. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

NOTES TO THE ACCOUNTS

26. Leases

Council as Lessee

Finance Leases

The Council held no Finance leases as at 31 March 2021.

Operating Leases

The Council 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 2020	31 March 2021
	£000	£000
Not later than one year	55	73
Later than one year and not later than five years	165	247
Later than five years	186	145
	406	465

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

	31 March 2020	31 March 2021
	£000	£000
Minimum Lease Payments	76	78
Contingent Rents	62	81
	137	159

Council as Lessor

Operating Leases

The Council 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

NOTES TO THE ACCOUNTS

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

	31 March 2020	31 March 2021
	£000	£000
Not later than one year	(241)	(225)
Later than one year and not later than five years	(603)	(430)
Later than five years	(343)	(285)
	(1,188)	(940)

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.

27. Investment Properties

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

	2019/20	2020/21
	£000	£000
Rental income from investment property	64	65
Direct operating expenses arising from investment property	(125)	(71)
Net gain/(loss)	(62)	(7)

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

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

NOTES TO THE ACCOUNTS

	2019/20	2020/21
	£000	£000
Opening Balance	923	831
Additions:		
- Purchases	0	0
Net gains/losses from fair value adjustments	(92)	11
Closing Balance	831	842

The changes identified in the table above are as a result of the properties being revalued in year. No further transfers, additions or disposals have taken place.

Fair Value hierarchy

The Council'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 2021, by Wilks Head & Eve.

28. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets would include both purchased licenses and internally generated software.

NOTES TO THE ACCOUNTS

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 Council. The useful lives assigned to software currently used by the Council 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 £240,881 charged to Revenue in 2020/21 (£400,712 in 2019/20) was charged to the following lines within the income statement; Planning Services (£86,427), Finance and Assets (£16,146), Customer Services (£24,714), CLT / Corporate (£62,451) and Legal and Democratic (£51,143).

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

	2019/20		2020/21	
	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000
Opening Balance:				
Gross carrying amounts	1,953	1,953	2,618	2,618
Accumulated amortisation	(1,382)	(1,382)	(1,783)	(1,783)
Net carrying amount at start of year	573	573	837	837
Additions:				
- Purchases	144	144	179	179
- Transfers In	521	521	300	300
Derecognition	0	0	0	0
Amortisation for the period	(324)	(324)	(241)	(241)
- Transfers In	(77)	(77)	0	0
Closing Balance	838	838	1,076	1,076

No significant contracts have been entered into during the financial year 2020/21.

NOTES TO THE ACCOUNTS

29. Impairment Losses

An impairment review was undertaken for the financial year 2020/21. The review identified that due to the type and use of properties and taking into consideration their location with Norfolk and the Eastern region, that any economic changes during the year would not result in any economic impairment of assets. However during the reporting period, the Sheringham Leisure Centre was demolished in readiness for the building of a replacement asset and so there was a physical impairment of £2.139m of this asset (£0 impairment in 2019/20).

30. Property, Plant and Equipment

Movement on Balances

Movement in 2020/21:

	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 2020	37,254	14,448	16,609	2,089	233	9,639	80,273
Additions	1,580	3,765	0	0	0	7,211	12,557
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	1,736	(126)	0	0	0	0	1,610
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(3,516)	397	0	0	0	0	(3,119)
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	(2,718)	(2,718)
Assets reclassified (to)/from held for sale	(463)	0	0	0	243	0	(220)
Other movements in cost or valuation	159	47	1,772	1,763	0	(4,042)	(301)
At 31 March 2021	36,751	18,532	18,381	3,852	476	10,091	88,082

NOTES TO THE ACCOUNTS

Movement in 2020/21:

	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 2020	1,427	10,907	11,228	126	31	0	23,718
Depreciation charge	382	772	508	21	0	0	1,683
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(775)	0	0	0	0	0	(775)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	(3)	0	0	0	0	0	(3)
Other movements in depreciation and impairment	0	0	0	0	0	0	0
At 31 March 2021	1,031	11,679	11,736	146	31	0	24,624
Net Book Value							
At 31 March 2021	35,720	6,853	6,646	3,705	445	10,091	63,460
At 31 March 2020	35,827	3,541	5,382	1,963	202	9,639	56,554

NOTES TO THE ACCOUNTS

Comparative Movements in 2019/20:

	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	£000
Cost or Valuation:							
At 1 April 2019	38,380	13,972	16,891	2,138	233	7,057	78,672
Additions	446	774	0	0	0	3,771	4,991
Donations	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	(1,005)	0	0	0	0	0	(1,005)
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(1,219)	0	0	0	0	0	(1,219)
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	(577)	(577)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	652	(298)	(282)	(49)	0	(612)	(589)
At 31 March 2020	37,254	14,448	16,609	2,089	233	9,639	80,272

NOTES TO THE ACCOUNTS

Comparative Movements in 2019/20:

	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 2019	2,485	10,171	10,734	107	31	0	23,527
Depreciation charge	727	779	508	19	0	0	2,033
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	(1,432)	0	0	0	0	0	(1,432)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(367)	0	0	0	0	0	(367)
Derecognition - disposal	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	15	(41)	(15)	(0)	0	0	(41)
At 31 March 2020	1,427	10,907	11,228	126	31	0	23,718
Net Book Value							
At 31 March 2020	35,827	3,541	5,382	1,963	202	9,638	56,553
At 31 March 2019	35,895	3,802	6,157	2,031	202	7,057	55,145

Cromer Pier Classification

Cromer Pier, being an operational heritage asset has been classified as a community asset in 20/21 and is valued at Depreciated Historical Cost in line with the Code.

NOTES TO THE ACCOUNTS

Capital Commitments

The major commitments relate to the following Schemes:

	2019/20	2020/21
	£	£
Splash Reprovision	9,020,980	2,767,279
Splash Gym Equipment	640,000	0
North Walsham Heritage Action Zone	0	1,452,691
Mundesley Refurbishment of Coastal Defences	0	640,000
Cromer Pier	0	152,886
Waste Vehicles	0	916,685
	<u>9,660,980</u>	<u>5,929,541</u>

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. During the intervening years reviews are undertaken to ensure the carrying value of assets are not materially different from their fair values. Impairment reviews are also carried out annually to ensure that the carrying value of assets is not overstated. For the 2020/21 accounts the programme of valuations were carried out by Wilks Head & Eve. 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.

In carrying out the valuations the valuers stated that we were still in a period of uncertainty in relation to many factors that impact the property investment and letting markets e.g. the full implications of the Brexit deal are yet to be realised; the COVID 19 lockdown restrictions continue to affect economies and real estate markets globally. However, the valuers have reported that at the valuation date property markets were mostly functioning again. The valuers have therefore concluded that the valuation was not subject to 'material valuation uncertainty' (as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards). This was apart from retail and specific trading related assets/sectors such as Car Parks. This was because at the valuation date we were still facing unprecedented circumstances caused by COVID-19 and there was insufficient relevant market evidence on which to base their judgements. The valuation of these assets has therefore been reported as being subject to 'material valuation uncertainty' (as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards). Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case. To clarify including the 'material valuation uncertainty' declaration, does not mean that the valuations cannot be relied upon. Rather, this has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

NOTES TO THE ACCOUNTS

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 asset condition. Further details regarding the valuations are provided within the Statement of Accounting Policies which starts on page 10.

All revaluations have been undertaken as at 31st March 2021.

	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	6,853	6,645	3,522	212	10,091	27,322
<u>Valued at fair value as at:</u>							
31 March 2021	22,571	0	0	0	0	0	22,571
31 March 2020	10,391	0	0	0	0	0	10,391
31 March 2019	1,191	0	0	0	8	0	1,200
31 March 2018	721	0	0	40	0	0	761
31 March 2017	846	0	0	144	0	0	990
31 March 2016	0	0	0	0	225	0	225
Total Cost or Valuation	35,720	6,853	6,645	3,706	445	10,091	63,459

NOTES TO THE ACCOUNTS

31. 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2019/20	2020/21
	£000	£000
<i>Opening Capital Financing Requirement</i>	3,140	3,438
<u>Capital Investment:</u>		
Property, plant and equipment	4,915	12,516
Property, Plant and Equipment - embedded finance leases		
Intangible assets	218	222
Revenue expenditure funded from capital under statute	23,876	1,884
Long Term Debtor		
<u>Sources of finance:</u>		
Capital receipts	(2,339)	(2,287)
Government grants and other contributions	(23,447)	(1,698)
Sums set aside from revenue:		
- Direct Revenue Contributions	(2,656)	(1,867)
Sums set aside from Capital Receipts:		
- in lieu of MRP	(269)	(269)
Closing Capital Financing Requirement	3,438	11,939
 <i>Explanations of movements in year</i>		
<i>Capital finance reversal following write out to revenue</i>	567	0
Increase in underlying need to borrow (unsupported by government financial assistance)	0	8,770
Capital receipts applied in lieu of MRP	(269)	(269)
Increase in Capital Financing Requirement	298	8,501

NOTES TO THE ACCOUNTS

32. Assets Held for Sale

During the financial year, two assets have been reclassified as Assets Held for sale and none have been sold.

	2019/20 £000	2020/21 £000
Balance Brought Forward	719	712
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	0	217
Assets Sold	0	0
Other Movements	(7)	(7)
Balance Carried Forward	712	922

NOTES TO THE ACCOUNTS

33. Receivables

Receivables represent the amounts owed to the Council at 31 March 2021 and are analysed below. This figure is split between Long term -amounts not falling due within 1 year, and Short Term - amounts falling due within 1 year of the Balance Sheet date.

The Council 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.

	Long Term		Short Term	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Central government bodies	0	0	1,755	7,708
Other local authorities	0	0	265	2,389
NHS bodies	0	0	48	0
Other entities and individuals*	2,569	2,471	3,779	5,559
Sub Total	2,569	2,471	5,847	15,656
Less: Bad Debt Provision				
General Fund	0	0	(1,235)	(1,166)
Collection Fund	0	0	(226)	(224)
Sub Total	0	0	(1,461)	(1,390)
Total	2,569	2,471	4,386	14,266

* Breakdown of Short-Term Receivables - significant entries within the other entities and individual's category are shown below

	31 March 2020 £	31 March 2021 £
Insurance Contract Payment in Advance	338	-
Council Tax and Business Ratepayer Debtors	1,155	794
Housing Benefit Overpayments being recovered by invoice and deductions from ongoing benefit	1,127	991
Right to Buy Receipts	0	1,519
Loans falling due within 1 Year	269	280
VAT invoices awaited	-	159
Other smaller receivables	891	1,818
Total	3,779	5,559

NOTES TO THE ACCOUNTS

34. Payables

Payables represent the amounts owed by the Council at 31 March 2021.

	31 March 2020	31 March 2021
	£000	£000
Central government bodies*	(5,670)	(26,026)
Other local authorities	(4,277)	(2,855)
Other entities and individuals**	(4,409)	(7,490)
Sub Total	(14,356)	(36,371)
Less: Capital Receipts in Advance		
Central government bodies	1,121	1,343
Other local authorities	51	50
Sub Total	1,172	1,393
Total	(13,184)	(34,978)

* The significant increase to a balance of £20.376m on Central government bodies is due to the year-end treatment of COVID grants received from the Department for Business, Energy and Industrial Strategy (BEIS) and S31 grants to be repaid to the Ministry of Housing Communities and Local Government (MHCLG).

** Breakdown of significant entries within the other entities and individual's category

Breakdown of significant entries within the other entities and individuals category

	31 March 2020	31 March 2021
	£	£000
Waste and recycling contract payments	430	82
Rent Allowance payments to benefit claimants	389	1,557
Council Tax and Business Rate payer prepayments	307	281
Planning Developer Contributions Receipts in Advance	1,276	1,784
NNDC Employee Accumulated Absences provision	153	468
Capital Creditors	481	2,104
Contract support (Covid)	-	397
Other smaller	1,372	817
Total	4,409	7,490

NOTES TO THE ACCOUNTS

35. Provisions

The Council has set aside a provision for potential liabilities as a result of alternations to Business Rates rateable values. The total liability is shared in accordance the Business Rate Retention Scheme proportionate shares applicable for the Council, Central Government and Norfolk County Council.

	Balance 1 April 2020	Additional Provisions Made in 2020/21	Amounts Used in 2020/21	Balance 31 March 2021
	£	£	£	£
NNDR Rating List Changes - Total Collection Fund	1,602,326	719,361	(769,560)	1,552,127
NNDC Share	680,989	287,744	(307,824)	620,851

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

36. Contingent Liabilities

At 31 March 2021, the Council 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 Council provided a number of environmental and non-environmental warranties, guarantees and indemnities to the Trust and its Lenders.

The risks associated with these warranties and indemnities have been assessed following professional advice and where felt appropriate the Council has, or is making, arrangements to transfer some of the potential risks. Specifically, insurance has been arranged in respect of the environmental warranties.

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 Council discloses a contingent liability.

NOTES TO THE ACCOUNTS

- (b) **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 £730,748 at 31 March 2021.
- (c) **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. A court decision has supported the Council's position, although the NHS Trusts have now been given leave to appeal. 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 & Contingent Assets the Council has identified the following contingent assets:

- (a) **Freehold Reversions for Shared Equity Dwellings** – The Council has acquired a share in the freehold reversions for shared equity dwellings. The Council does not benefit from any ongoing rental income in relation to these properties, and will not realise the equity share unless the properties owners buy the Council out of the agreement. As the value of these properties to the Council is contingent upon this action the assets have not been recognised within the financial statements. The current market value of the properties is £5,387,129, with the Council's share amounting to £1,368,335.

NOTES TO THE ACCOUNTS

38. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure accounts in 2020/21.

	2019/20	2020/21
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	0	(90)
Business Rates	(7,240)	(10,126)
Covid Grants	0	(2,748)
New Homes Bonus	(1,211)	(892)
Rural Services Delivery Grant	0	(484)
Council Tax Family Annexe Discount	(33)	(39)
Capital Grants and Contributions	(1,228)	(294)
Total	(9,712)	(14,673)
Credited to Services		
DWP - Rent Allowances	(21,814)	(20,470)
DWP - Admin Subsidy	(463)	(461)
	(22,277)	(20,931)
Arts Council England	(7)	0
Dept for Business, Energy & Industrial Strategy	0	(6,252)
Cabinet Office	(408)	(14)
Dept of Health & Social Care	0	(23)
Environment Agency	(4,907)	(539)
Ministry of Housing Communities and Local Govt (MHCLG)	(1,621)	(1,989)
Norfolk County Council	(612)	(754)
Sport England	0	(204)
Other Grants & Contributions	(15,843)	(167)
Total	(45,675)	(30,872)
Total Revenue Grants Received	(55,387)	(45,545)

NOTES TO THE ACCOUNTS

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2020	31 March 2021
	£000	£000
Capital Grant Receipts in Advance		
Travellers Site	20	0
Disabled Facilities Grant	642	1,307
Sandscaping	460	36
Cromer West Prom	50	50
Total	1,172	1,393

NOTES TO THE ACCOUNTS

39. Financial Instruments

Categories of Financial Instruments

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

Long-term 31-Mar-20 £000	Current 31-Mar-20 £000	Financial Liabilities	Long-term 31-Mar-21 £000	Current 31-Mar-21 £000
0	5,000	Loans at amortised cost:		
0	4	- Principal sum borrowed	0	7,000
		- Accrued Interest	0	0
<u>0</u>	<u>5,004</u>	Total Borrowing	<u>0</u>	<u>7,000</u>
		Loans at amortised cost:		
0	0	- Bank overdraft	0	937
<u>0</u>	<u>0</u>	Total Cash Overdrawn	<u>0</u>	<u>937</u>
		Liabilities at amortised cost:		
0	2,613	- Trade payables	0	5,962
0	0	- Finance leases	0	0
<u>0</u>	<u>2,613</u>	Included in Creditors	<u>0</u>	<u>5,962</u>
<u>0</u>	<u>7,617</u>	Total Financial Liabilities	<u>0</u>	<u>13,899</u>

NOTES TO THE ACCOUNTS

The debtors and creditors lines on the Balance Sheet include £7,485,129 short term debtors and £25,756,373 short term creditors that do not meet the definition of a financial instrument as they are non-exchange transactions.

Long-term 31-Mar-20 £000	Current 31-Mar-20 £000	Financial Assets	Long-term 31-Mar-21 £000	Current 31-Mar-21 £000
		At amortised cost:		
0	0	- Principal	0	0
0	0	- Accrued Interest	0	0
0	0	- Loss Allowance	0	0
		At fair value through profit & loss:		
0	77	- Accrued Interest	0	87
30,036	0	- Fair Value	33,233	0
<u>30,036</u>	<u>77</u>	Total Investments	<u>33,233</u>	<u>87</u>
		At amortised cost:		
0	0	- Principal	0	80
		At fair value through profit & loss:		
0	6,585	- Fair Value	0	9,810
<u>0</u>	<u>6,585</u>	Total Cash and Cash Equivalents	<u>0</u>	<u>9,890</u>
		At amortised cost:		
14	2,040	- Trade receivables	0	6,636
2,558	269	- Loans made for service purposes	2,471	280
(3)	0	- Loss Allowance	0	0
<u>2,569</u>	<u>2,309</u>	Included in Debtors	<u>2,471</u>	<u>6,916</u>
<u>32,605</u>	<u>8,971</u>	Total Financial Assets	<u>35,704</u>	<u>16,893</u>

NOTES TO THE ACCOUNTS

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset against each other where the Council has a legally enforceable right to offset 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 Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

	2019/20			2020/21		
	Assets £000	Liabilities £000	Net position on Balance Sheet £000	Assets £000	Liabilities £000	Net position on Balance Sheet £000
Financial Assets						
- Bank accounts in hand	1,478	(1,164)	314	3,032	(3,968)	(936)
Financial Liabilities						
- Bank overdrafts	1,164	(1,164)	0	3,032	(3,968)	(936)

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

NOTES TO THE ACCOUNTS

	Financial Liabilities		Financial Assets		2020/21 Total
	2019/20 Total	Amortised Cost	Amortised Cost	Fair Value through Profit & Loss	
	£'000	£'000	£'000	£'000	£'000
Interest expense	(39)	(3)	0	0	(3)
Losses from changes in fair value	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	(39)	(3)	0	0	(3)
Interest income	167		117	17	134
Dividend income	1,079		0	1,108	1,108
Gains from changes in fair value	0		0	3,198	3,198
Losses from changes in fair value	(3,311)		0	0	0
Impairment loss reversals	0		0	0	0
Interest and investment income	(2,065)	0	117	4,323	4,440
Net impact on surplus/deficit on provision of services	(2,104)	(3)	117	4,323	4,437
Impact on other comprehensive income	0	0	0	0	0
Net Gain/(Loss) for the year	(2,104)	(3)	117	4,323	4,437

Fair values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

NOTES TO THE ACCOUNTS

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 2020 £000s	Fair Value Level	Balance Sheet 31 March 2021 £000s
Financial liabilities held at amortised cost:		
7,617	Liabilities for which fair value is not disclosed	13,899
7,617	Total Financial Liabilities	13,899
Recorded on the balance sheet as:		
5,004	Short-term borrowing	7,000
2,613	Short-term creditors	5,962
7,617	Total Financial Liabilities	12,962

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

NOTES TO THE ACCOUNTS

Fair Value 31 March 2020 £000	Fair Value Level	Balance Sheet 31 March 2021 £000
Financial assets held at fair value:		
6,585 Money Market Funds	1	9,810
30,036 Pooled Funds	1	33,233
36,621 Total		43,043
4,944 Assets for which fair value is not disclosed		9,554
41,565 Total Financial Assets		52,597
Recorded on the balance sheet as:		
30,036 Long-term investments		33,233
2,569 Long-term debtors		2,471
77 Short-term investments		87
2,309 Short-term debtors		6,916
6,585 Cash and Cash Equivalents		9,890
41,576 Total Financial Assets		52,597

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

40. Nature and Extent of Risks arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

To comply with the Treasury Management Code, the Council 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 Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage those risks.

The Treasury Management Strategy includes an 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). The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- credit risk - the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that unplanned financial loss might arise for the Council as a result of changes in such measures as interest rates, market process etc.

Credit Risk- Treasury Investments

The Council 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.

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

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

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Credit Rating	Long Term	Short Term	Long Term	Short Term
	31 March 2020	31 March 2020	31 March 2021	31 March 2021
	£000	£000	£000	£000
AAA	4,446	6,268	4,521	9,810
AA+	0	0	0	0
AA	1,495	0	1,497	0
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	0	0
A-	0	0	0	0
Unrated	0	0	0	0
Total	5,941	6,268	6,018	9,810
Credit Risk not applicable	24,116	0	27,215	0
Total Investments	30,057	6,268	33,233	9,810

Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

The Council has no historical experience of counterparty default and the Council 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 during the year.

Loss allowances on treasury investments have been calculated by reference to historic default data. A delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At 31st March 2021, £0 (2020 £0) of loss allowances related to treasury investments.

Credit Risk – Loans

The Council's has an exposure to credit risk through a loan to a housing association. This is collateralised by charges secured on residential property which are owned by the housing association. The value of the collateral is greater than 110% of the carrying value of the loan. The Council assessed the credit quality of the housing association prior to advancing the loan and it was satisfactory. The Council managed the credit risk inherent in its loans for service purposes in line with its published Investment Strategy.

NOTES TO THE ACCOUNTS

Loss allowances on loans for service purposes have been calculated by reference to indicative interest rates adjusted for current economic conditions. They are determined to have suffered a significant increase in credit risk where the counterparty has dropped by two or more rating notches, and the new rating is below investment grade. They are determined to be credit impaired when receiving a “D” indicative rating.

Borrower	Exposure type	Balance Sheet	Risk Exposure	Balance Sheet	Risk Exposure
		31/03/2021 £000	31/03/2021 £000	31/03/2020 £000	31/03/2020 £000
Broadland Housing Association	Loan at market rates	2,827	2,827	2,827	2,827
Homes for Wells	Loan at market rates	193	193	-	-
TOTAL		3,020	3,020	2,827	2,827

Credit Risk - Receivables

In addition to treasury investments, the Council is exposed to credit risk from its customers. However the Council 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 2020	31 March 2021
	£000s	£000s
Less than three months	47	28
Three months to one year	27	27
More than one year	4	12
	78	67

A loss allowance of £200,000 has been made against debts which are past their due date. The factors the Council 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 Council’s maximum exposure to trade debts is £573,590.

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building

NOTES TO THE ACCOUNTS

societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council does not currently have any long-term debt and therefore does not have any maturing liabilities for which funds would be required.

	2020/21			2019/20		
	Liabilities	Assets	Net Assets	Liabilities	Assets	Net Assets
	£000	£000	£000	£000	£000	£000
Time to maturity (years)						
Not over 1	(12,962)	16,893	3,929	(11,074)	8,971	(2,103)
Over 10	0	2,471	2,471	0	2,558	2,558
No fixed maturity	0	33,233	33,233	0	30,036	30,036
Total	(12,962)	52,597	39,633	(11,074)	41,565	30,491

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments and borrowing. Movements in interest rates have a complex impact on the Council. 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.
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Borrowings at variable rates – the interest expense will rise.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. 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.

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

NOTES TO THE ACCOUNTS

	31/03/2021	31/03/2020
	£000	£000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	38	34
Decrease in fair value of investments held at FVPL	(381)	(302)
Impact on the Surplus or Deficit on the Provision of Services	(343)	(268)
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	(343)	(268)
Decrease in fair value of loans and investments at amortised cost	0	0
Decrease in fair value of fixed rate borrowing	0	0

Price risk

The market prices of the Council's bond investments and its units in pooled funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. The Council invests in funds with underlying assets in property, equity and bonds. A 1% rise in interest rate will reduce the fair value of pooled funds that invest in bonds by £381,251; a 5% fall in the price of equity would result in a £450,834 fall in fair value and a 5% fall in the price of property would result in a £335,281 fall. These changes would result in a charge to Profit and Loss, but would currently be reversed out to the Pooled Fund Adjustment Account due to the Statutory Override in place. This is a time limited adjustment.

Foreign Exchange Risk

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

41. Material/Unusual items of income and expense

Collection Fund

To support businesses during the COVID 19 pandemic with the effects of the national lockdown, the Government granted 100% retail relief for the retail, hospitality and leisure sectors, and also 100% relief for nurseries. The value of this relief totalled £16m for the North Norfolk District. Although full compensation was provided to the Council by the Government through section 31 grants, the announcement was made after the NNDR1 form had been completed and the NDR budget for the year had been set. This meant that there has been a deficit created on the Collection Fund for the year as the amount of NDR income receivable is lower than budgeted for. This deficit is shared between North Norfolk District Council, Norfolk County Council and Central Government in the shares provided in Note 6 to the Collection Fund. Due to cash flow problems being experienced by Local Authorities, the Government paid over the entirety of the section 31 grant, whereas normally a Council would only receive its proportionate share. The local share due to North Norfolk District Council is 40% of the grant received, and the remaining 60% has been accrued at year end in anticipation of returning it to Central Government.

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Earmarked Reserves

Central Government also granted the Council money to help with the increased costs of responding to the pandemic and for other COVID 19 related purposes. Some of these grants are to be spent in the 2021-22 financial year, so have been moved to Earmarked Reserves until the corresponding expenditure occurs. The Earmarked Reserve balance is also inflated by the section 31 grant mentioned above, which will be transferred back into the surplus or deficit on provision of services in the 2021-22 financial year to offset the Collection Fund deficit that has arisen as a result of COVID 19. The Movement in Reserves Statement and associated notes (6 and 7) shows this increase in Reserves balances.

Housing Benefit Payments

By far the highest level of expenditure (£30m) within the Comprehensive Income and Expenditure Statement is for the service area Finance and Assets. This includes the Housing Benefit (Rent Allowances) payments which are made to claimants throughout the year. The total of Housing Benefit payments paid in 2020-21 was £21.0m (£22.1m in 2019-20). The Council receives grants from Central Government to cover most of these payments. These grants totalled £20.6m (£22.0m in 2019-20) which equates to 98% of the expenditure incurred. The level of expenditure between years remains constant.

Cash Flow

The Cash Flow Statement shows large balances (£271m) relating to the purchase and sale of short-term investments, which is a far greater balance than in previous years. This has occurred due to the Council receiving £65m grant funding to be passed on to local businesses, which needed to be securely invested to preserve the capital balance until the grants were ready to be paid to businesses. This money was deposited with the Debt Management Account Deposit Facility (DMADF) with HM Treasury to ensure security. Several deposits were made and repaid during the year, resulting in this large balance on the Cash Flow Statement.

Grant Income

As a result of the Covid-19 pandemic a significant amount of additional Government grants were provided to local authorities. The accounting requirements differ dependent on whether the Council is acting as either a principal or an agent or whether they are non-ringfenced grants. In general terms if the Council has discretion on grant scheme criteria they are acting as a principal and the transactions will be included in the CIES, where there is no discretion the Council acts as an intermediary agent and transactions will not be shown in the CIES.

Grant Name	Transaction Type	Received £'000	Spent £'000	Balance	Balance Held in
Local Authority Discretionary Grant Scheme	Principal	(2,723)	2,723	-	n/a
Additional Restrictions Grant	Principal	(3,028)	1,270	(1,758)	Government Receipts in Advance
Tier 2 - Local Restrictions	Principal	(2,897)	2,259	(638)	Short Term Creditor
NNDR Small Business, Retail and Leisure Grants	Agent	(62,779)	53,235	(9,544)	Short Term Creditor
Various Local Restrictions Grants	Agent	(39,062)	36,682	(2,380)	Short Term Creditor
General Government Covid Support Grant	Spend on services (CIES)	(1,704)	923	(781)	Earmarked Reserve
Sales Fees and Charges Compensation	Offset loss of income (CIES)	(638)	638	-	n/a
Council Tax (CT) Support (Hardship fund)	Dicounted CT Bills	(724)	544	(180)	Earmarked Reserve

42. Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31st September 2024, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

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

Date	General Fund	Earmarked reserves
31/03/21	£2.4m	£26.5m

Our expected General Fund (GF) and Earmarked Reserve position has a predicted balance of £2.772m and £11.928m respectively as at 31 March 2024. This remains above our minimum level of GF balances as set by our Chief Finance Officer (CFO) of £2.1m.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing (other than to support the capital programme or for short periods for cashflow purposes which are both consistent with our plans and normal practice).

The key assumptions within this forecast included;

- Assumptions around spending levels for both revenue and capital purposes;
- Assumptions around internally and locally driven income levels, such as car parking, planning fees and investment returns;
- A council tax increase of £4.95 for a Band D property for both the financial years 2022/23 and 2023/24 and council tax income included at the level calculated for the budget for each year.
- Business Rates income included at the level determined in the NNDR1 for both years.
- All known grant income included at the level notified to the Council.

The final Financial Settlement figures for both 2022/23 and 2023/24 were announced in good time to include in the final Budget reports to full Council each year. So all central government funding figures are now known.

NOTES TO THE ACCOUNTS

We have considered a downside scenario where the key assumptions are tested and various alternative scenarios modelled and the above projections would not be significantly affected with both minimum levels of reserves and liquidity remaining through the same period. These forecasts can be found within the [2022/23 Cabinet budget papers](#) and can be found in Section 7 which starts on page 167 of the agenda reports pack for the Cabinet meeting on 31 January 2022 and within the [2023/24 Cabinet budget papers](#) and can be found in Section 7 which starts on page 105 of the agenda reports pack for the Cabinet meeting on 6 February 2023.

Looking to the future, the Council's cashflow forecast does identify a reduced balance of readily available cash by the Autumn 2024, if a similar level of income and expenditure is assumed for 2024/25 as we're receiving in 2023/24. However this is because of prudent Treasury Management with the Council maintaining its internal borrowing position until such time as the interest rates stabilise, at which point a decision will be made to take some longer-term external borrowing to meet its funding requirement of the capital programme.

On this basis, the Council is satisfied that it can continue to operate without any financial difficulties, and it has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period will be able to maintain the provision of its services. For this reason, alongside the statutory guidance, the Council continues to adopt the going concern basis in preparing these financial statements.

COLLECTION FUND

2019/20	COLLECTION FUND	Notes	2020/21	2020/21	2020/21
Total			Council Tax	Business Rates	Total
£000			£000	£000	£000
(2,920)	Opening Balance Surplus (-) / Deficit 1 April		(604)	(5,229)	(5,833)
	Income				
(74,672)	Council Tax	(4 & 5)	(77,475)		(77,475)
(28,998)	Business Rates	(2)		(12,213)	(12,213)
	Contributions to Previous Year Estimated Deficit				
	- North Norfolk District Council				
	- Norfolk County Council				
	- Central Government				
(103,670)	Total Income		(77,475)	(12,213)	(89,688)
	Expenditure				
	Precepts and Demands:	(3)			
8,434	- North Norfolk District Council (including Parish Councils)		8,775		8,775
55,336	- Norfolk County Council		58,124		58,124
10,280	- Office of the Police & Crime Commissioner for Norfolk		10,795		10,795
	Proportionate Shares:				
10,896	- North Norfolk District Council			10,522	10,522
8,332	- Norfolk County Council			2,630	2,630
6,410	- Central Government			13,152	13,152
	Disregarded Amounts:				
44	- Enterprise Zone Growth			18	18
223	- Renewable Energy			576	576
	Distribution of Previous Year Estimated Surplus:	(3)			
639	- North Norfolk District Council		81	1,669	1,750
1,420	- Norfolk County Council		533	1,406	1,939
227	- Office of the Police & Crime Commissioner for Norfolk		99		99
552	- Central Government			815	815
385	Change in Allowance for Impairment	(7)	344	39	383
253	Allowance for Cost of Collection			259	259
(512)	Appeals Charged to Collection Fund			(770)	(770)
(2,162)	Change in Provision for Appeals			719	719
100,757	Total Expenditure		78,751	31,035	109,786
(2,913)	Movement in Collection Fund Balance During Year		1,276	18,822	20,098
(5,833)	Closing Cumulative Surplus (-) / Deficit 31 March	(6)	672	13,593	14,265

COLLECTION FUND

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 Council 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 £83,998,972 on 31 March 2021 (£83,834,915 on 31 March 2020). The national multipliers for 2020/21 were 49.9p for qualifying Small Businesses (49.1p in 2019/20), and the standard multiplier was set at 51.2p for all other businesses (50.4p in 2019/20).

The net income from Business Rate payers was £12,212,574 (£29,795,584 in 2019/20) after £607,603 of transitional protection payments due from 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.

3. Precepts and Demands

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

Net Payment 2019/20 £000		Precept / Demand £000	Collection Fund Surplus £000	Net Payment 2020/21 £000
8,632	North Norfolk District Council (including Parish Precepts)	8,775	81	8,856
56,646	Norfolk County Council	58,123	533	58,656
10,507	Office of the Police & Crime Commissioner for Norfolk	10,795	99	10,894
75,785	Total	77,693	713	78,406

COLLECTION FUND

4. The Council Tax Base for 2020/21 is as follows:

Therefore each £1 of Council Tax set was calculated to produce income of £40,685 (£40,621 in 2019/20).

Valuation Band	Number of Chargeable Dwellings Adjusted for Discounts		Equivalent Number of Band D Dwellings		Equivalent Number of Band D Dwellings Adjusted for Non-Collection	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
A	8,004	8,074	5,305	5,330	5,252	5,245
B	11,106	11,267	8,703	8,795	8,616	8,654
C	9,866	9,998	8,864	8,925	8,775	8,782
D	7,915	7,954	7,981	7,998	7,901	7,870
E	4,384	4,433	5,411	5,451	5,357	5,364
F	2,092	2,141	3,034	3,103	3,004	3,053
G	950	962	1,591	1,604	1,575	1,578
H	72	71	142	141	141	139
Total Tax Base	44,389	44,900	41,031	41,347	40,621	40,685

5. Band D Tax Rate

This Council set a Council tax of £1,895.23 for a band D dwelling, (£1,764.09 in 2019/20), which consisted of £1,416.51 (£1,362.24 in 2019/20) for Norfolk County Council, £263.07 (£253.08 in 2019/20) for the Office of the Police & Crime Commissioner for Norfolk and £153.72 (£148.77 in 2019/20) for the District's requirements. Sums ranging from nil to £111.17 (nil to £108.14 in 2019/20) 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 Council 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 Council new flexibilities to vary Council tax on second homes and empty dwellings, and to apply

COLLECTION FUND

a premium on empty properties.

6. Balances

The total balance is attributed as follows:

31 March 2020	Share of Balance	31 March 2021	Total	
Total		Council Tax	Business Rates	Total
£		£	£	£
(2,294,857)	North Norfolk District Council	78,697	5,416,676	5,495,373
(2,182,082)	Norfolk County Council	500,851	1,168,883	1,669,734
(83,895)	Office of the Police & Crime Commissioner for Norfolk	90,917	0	90,917
(1,273,183)	Central Government	0	7,009,070	7,009,070
(5,834,017)	Total	670,465	13,594,629	14,265,094

7. Bad Debt Provision

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



Building a better working world

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

Opinion

We have audited the financial statements of North Norfolk District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Expenditure and Funding Analysis, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes 1 to 42 and the Collection Fund and the 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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 2021 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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT

are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the '*Statement of Accounts 2020/2021*', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the '*Statement of Accounts 2020/2021*'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Authority;
- 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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the '*Statement of Responsibilities*' set out on pages 1 to 2, 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 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud.

The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how North Norfolk District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Council's committee minutes, Council policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

INDEPENDENT AUDITOR'S REPORT

Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether North Norfolk District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2021.

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, North Norfolk District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

INDEPENDENT AUDITOR'S REPORT

Use of our report

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.

Mark Hodgson

Ernst & Young LLP

.....
Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Date: 20th September 2023

GLOSSARY OF TERMS

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 Council which are considered unlikely to be recovered. An allowance is made in the accounts for this possibility.

Balance Sheet - The Council'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 Council's housing or construction of a car park.

Capital Financing Requirement (CFR) - The Capital Financing Requirement represents the Council'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 Council, 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 Council's control.

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

GLOSSARY OF TERMS

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 Council's control.

Deferred Capital Receipts - Representing the amounts that are not available as cash. They arise from Council house sales on mortgage to the Council, 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 Council owns in terms of property, land etc. and what is owed to the Council in respect of debt.

General Fund - The account which summarises the revenue costs of providing services, which are met by the Council'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 Authorities 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.

GLOSSARY OF TERMS

Large Scale Voluntary Transfer (LSVT) - The process of transferring Council House stock from a local Council 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 Council 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 Council 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 (NDR) - National Non-Domestic Rate (NDR) 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 Council.

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 Council 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

GLOSSARY OF TERMS

as long as they can demonstrate affordability. ‘

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

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 Council 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. A Council 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 MHCLG and HM Revenues and Customs to ensure that following a housing stock transfer there is no impact on taxation. Had the Council retained the housing stock and carried out the necessary works on the properties the VAT would have been reclaimed by the Council, 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 Council and Victory Housing Trust.

GLOSSARY OF ACRONYMS

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

Draft Statement of Accounts



2020/2021

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