# STATEMENT OF ACCOUNTS

2017-2018

Borough Council of
King's Lynn &
West Norfolk

## Contents

## Statement of Responsibilities

<u>The Borough Council's Responsibilities</u>

The Authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Deputy Chief Executive/Executive Director Financial Services (S151 Officer), Lorraine Gore;
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- Approve the Statement of Accounts.

## Certification

I confirm that this Statement of Accounts was approved by Audit Committee at the meeting held on 30 July 2018.

Signed on behalf of the Borough Council of King's Lynn and West Norfolk

Councillor Graham Middleton, Chair of Audit Committee of the Borough Council of King's Lynn and West Norfolk as Chair of the Meeting

30 July 2018

## Director of Finance's Responsibilities

The Deputy Chief Executive/Executive Director Financial Services (S151 Officer) is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code), is required to present the true and fair financial position of the Authority and its income and expenditure for the year ended 31 March 2018.

In preparing the Statement of Accounts, the Director of Finance has:-

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Director of Finance has also:-

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

In accordance with the Accounts and Audit (England) Regulations 2015, I certify that Draft Statement of Accounts presents a true and fair view of the financial position of the Borough Council of King's Lynn and West Norfolk as at 31 March 2018, and its income and expenditure for the year then ended.

Lorraine Gore
Deputy Chief Executive/Executive Director Financial Services (S151 Officer)

31 May 2018

Narrative Report

## 1 Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council.

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statement of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 4 of the Local Audit and Accountability Act 2014.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public Sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

There are no material changes to the code that have impacted on this council for 2017/2018.

The Statement of Accounts consists of summaries which deal with different aspects of the Authority's activities and a Consolidated Balance Sheet which sets out the financial position of the Authority as at 31 March 2018. Of the summaries some are recognised as Core Financial Statements, detailed below:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement (CIES)
- Balance Sheet
- Cash Flow Statement
- Collection Fund

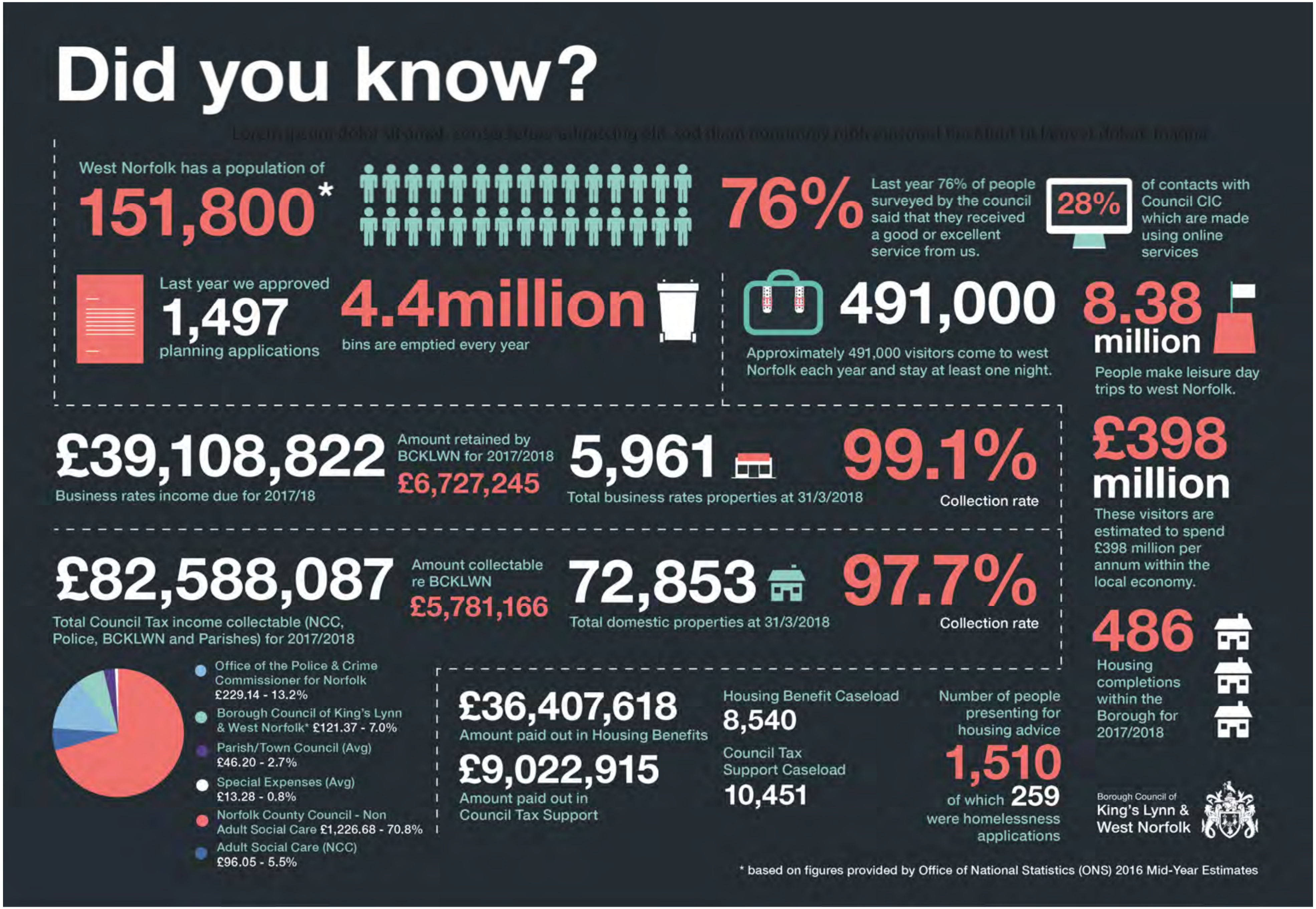
All of the above are supported by the Accounting Policies and various notes to the accounts.

## 2 Introduction to West Norfolk

West Norfolk covers an area of about 550 square miles from Brancaster on the Northern Coast to beyond Downham Market in the South.


Our main office is based in King's Lynn, with other offices, facilities and attractions in King's Lynn, Hunstanton and Downham Market.

West Norfolk provides a beautiful environment in which to live and work. King's Lynn, a medieval town and port, is an outstanding conservation area. It offers a wide range of culture and leisure facilities including a theatre, concert hall and arts centre, and sports facilities.The surrounding countryside is attractive and the coastline is an "Area of Outstanding Natural Beauty". Sandringham Estate, the Queen's Norfolk home, is approximately mid-way between King's Lynn and Hunstanton. Together with other large estates, such as Holkham, it is a major tourist attraction.


Did you know?
West Norfolk has a population of
151,800*
76%
Last year 76% of people surveyed by the council said that they received a good or excellent service from us.
28%
of contacts with Council CIC which are made using online services
Last year we approved
1,497
planning applications
4.4million
bins are emptied every year
491,000
Approximately 491,000 visitors come to west Norfolk each year and stay at least one night.
8.38 million
People make leisure day trips to west Norfolk.
£39,108,822
Business rates income due for 2017/18
Amount retained by BCKLWN for 2017/2018
£6,727,245
5,961
Total business rates properties at 31/3/2018
99.1%
Collection rate
£398 million
These visitors are estimated to spend £398 million per annum within the local economy.
£82,588,087
Total Council Tax income collectable (NCC, Police, BCKLWN and Parishes) for 2017/2018
Amount collectable re BCKLWN
£5,781,166
72,853
Total domestic properties at 31/3/2018
97.7%
Collection rate
486
Housing completions within the Borough for 2017/2018
Office of the Police & Crime Commissioner for Norfolk £229.14 - 13.2%
Borough Council of King's Lynn & West Norfolk* £121.37 - 7.0%
Parish/Town Council (Avg) £46.20 - 2.7%
Special Expenses (Avg) £13.28 - 0.8%
Norfolk County Council - Non Adult Social Care £1,226.68 - 70.8%
Adult Social Care (NCC) £96.05 - 5.5%
£36,407,618
Amount paid out in Housing Benefits
£9,022,915
Amount paid out in Council Tax Support
Housing Benefit Caseload
8,540
Council Tax Support Caseload
10,451
Number of people presenting for housing advice
1,510
of which 259 were homelessness applications
Borough Council of King's Lynn & West Norfolk
* based on figures provided by Office of National Statistics (ONS) 2016 Mid-Year Estimates

## Local Economy

As at 31 March 2018 the borough is home to 5,961 business properties.

The most significant sectors of the local economy are manufacturing and engineering (predominantly clustered on the industrial estates in King's Lynn but also with significant footprint in other parts of the borough) and tourism (which has a more rural focus).

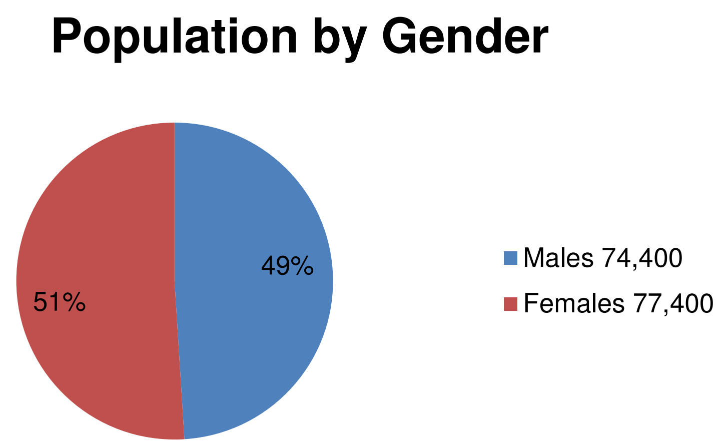
King's Lynn is home to a significant cluster of world-leading manufacturing businesses. They include a number with their global headquarters, Research and Development and manufacturing facilities based here. Many are exporters. These businesses include manufacturers of medical devices and drug delivery technologies, commercial refrigeration, materials handling systems, electronic control systems and robotics, and precision engineering, as well as specialist chemicals, coatings and microporous membranes, technical ceramics and specialist agricultural chemicals. Food manufacturing is also important with a number of major food companies based in the borough, together with a range of agricultural and horticultural businesses. As well as providing direct employment the manufacturing sector also supports a very significant local supply chain of smaller manufacturers, engineering and fabrication businesses, logistics providers and suppliers of other services.

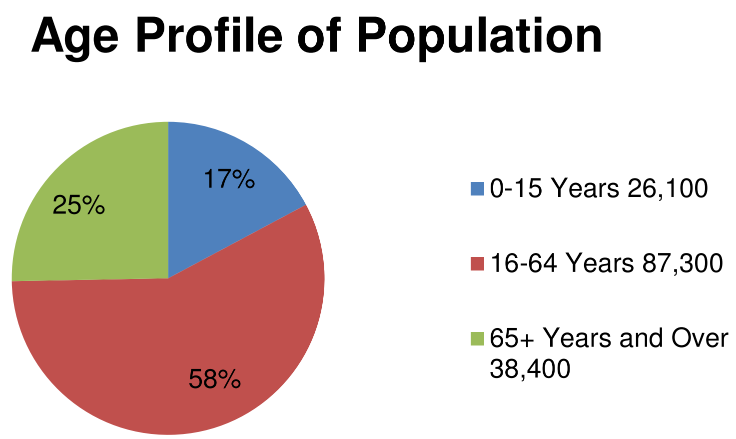
West Norfolk is also home to two strategic assets of national and international importance. The National Construction College at Bircham Newton trains apprentices and other staff in the construction sector to degree level and is the largest facility of its type in Europe. The Construction Industry Training Board has announced plans to review and significantly change operations nationally and also at Bircham Newton which is likely to see it's headquarters move out of the borough in around two years' time. The Borough Council and partners are working with CITB and others to ensure that the impacts are minimised and that as much of the operational activity currently at Bircham Newton is retained. RAF Marham is the largest front line operational RAF base, and is home to the Tornado fleet, and from June 2018 will become home to the UK fleet of F-35 Lightning II aircraft which will be flown by both the RAF and the Royal Navy. As well as military personnel RAF Marham is also host to significant numbers of aerospace engineering personnel employed by the industrial partners also based there.

It is estimated that the total number of visitors to west Norfolk comprises approximately 491,000 visitors staying at least one night and around 8.38 million people making leisure day trips. These visitors are estimated to spend nearly £398 million per annum within the local economy. When the value of indirect spending (purchases of supplies and services by businesses in receipt of visitor spending) and induced spending (spending by those employed in businesses in receipt of visitor spending) are taken into account the overall value of the visitor economy is estimated to be £529 million annually. This in turn is estimated to support 10,330 jobs (7,663 full time equivalent jobs) which is estimated to represent around 17.8% of all employment in the local economy. (figures taken from *The Economic Impact of Tourism* – 2016 results, produced by Destination Research).

## Population

The population of West Norfolk was estimated at 151,800 (Office of National Statistics (ONS) 2016 Mid-Year Estimates (as of 30 June 2016).




According to the 2015 Indices of Deprivation West Norfolk households rank 89th (lower number indicates higher deprivation) out of 324 local authorities for overall deprivation – for Education , Skills and Training and Health and Disability West Norfolk rank's 67th out of 324; for Health and Disability West Norfolk ranks 71st.

According to the 2015 Indices of Deprivation 13.6% of West Norfolk residents live in income deprived households

Around two in ten West Norfolk children aged 0-15 (18.4%) live in income deprived households (Income Deprivation Affecting Children Index)

One in ten West Norfolk residents aged over 65 (14.3%) live in income deprived households (Income Deprivation Affecting Older People Index)

## 3 The Borough Council

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

- Street cleansing, waste collection and recycling services
- Planning
- Regeneration and economic development services
- Licensing and environmental health
- Housing including homelessness prevention, home improvement agency and emergency alarm monitoring
- Parks and open spaces
- Cultural, tourism and leisure services
- Processing housing and council tax benefits
- Electoral services

There are 62 councillors elected to represent the people of West Norfolk. The council is currently controlled by the Conservative Group and Councillor Brian Long is the Leader of the Council. In February each year the Council sets the budget and level of council tax for the coming financial year.

As at 31 March 2018 the current political make-up of the Council is as follows:

- Conservative – 49 Councillors
- Labour – 7 Councillors
- Independent – 3 Councillors
- Non Aligned – 3 Councillors

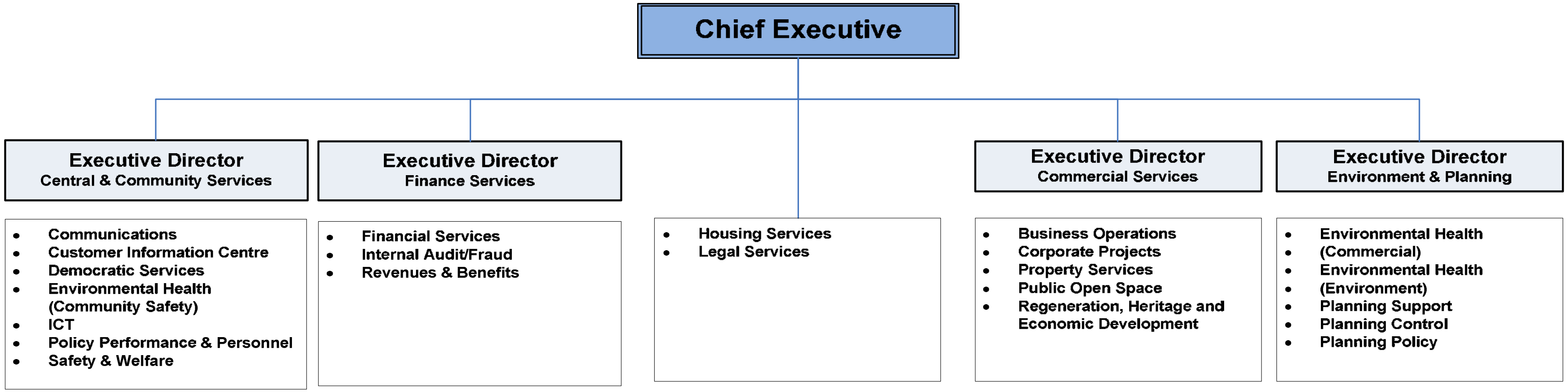
The Council operates a 'leader and cabinet' structure. The Cabinet is made up of the Leader, Deputy Leader and Portfolio Holders. Each Portfolio Holder has specific responsibilities over an area of the Council's activities:

- Leader of the Council
- Deputy leader and Portfolio Holder for Culture, Heritage and Health
- Portfolio Holder for Corporate Projects and Assets
- Portfolio Holder for Development
- Portfolio Holder for Environment
- Portfolio Holder for Housing and Community
- Portfolio Holder for Human Resources, Facilities and Shared Services
- Portfolio Holder for Systems and Economic Development

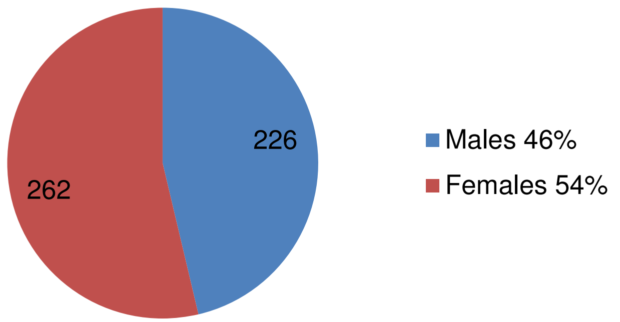
The Cabinet makes recommendations to the Council on the policy and budget framework. It also carries out all the executive functions of the Council which are not reserved to the full Council, exercised by another committee or delegated to an officer.

**Our People**

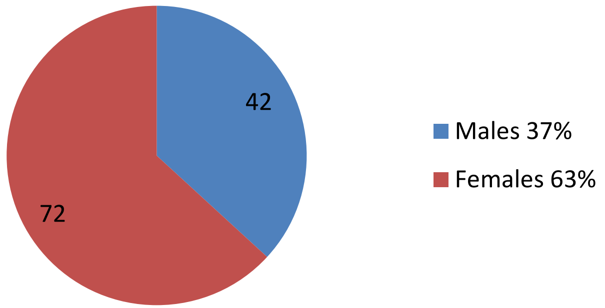
The organisational structure of the Council is headed by the Corporate Management Team which consists of the Chief Executive and four Executive Directors.



The council employs 451.42 fulltime equivalent (FTE) staff. The actual number of staff is 488 of whom 350 are fulltime and 138 are part-time.




In addition the Council's wholly owned local authority owned leisure company, Alive Management Ltd employed 81.15 FTE staff.  The actual number of staff was 114; 63 full-time and 51 part-time.




## 4 The Council's Performance

The Council publishes a Corporate Business Plan which sets out the broad framework for the Council's aims for the period covered by the plan.  Following the local elections in May 2015, a new Corporate Business Plan was developed, and was agreed by Council in January 2017.

The Corporate Business Plan is aligned with the Council's Financial Plan and both documents are available on the Council's website.

Progress towards achieving the aims outlined in the Council's Corporate Business Plan was monitored through the Corporate Business Plan Monitoring Report and considered by the Corporate Performance Panel. The final monitoring report for 2017/2018 was considered by the Corporate Performance Panel on 17 July 2018 and is available on the Council's website.

The plan outlines six priority aims, supported by 18 key objectives in areas of key importance to the authority.

Our Priorities, summarised:

| Provide important local services within our available resources | Drive local economic and housing growth | Work with our communities to ensure they remain clean and safe | Celebrate our local heritage and culture | Stand up for local interests within our region | Work with our partners on important services for the borough |
|---|---|---|---|---|---|
| 1. we will deliver our 'channel-shift' programme | 4. we will support new and existing businesses to help them thrive | 7. we will improve recycling levels | 10. we will deliver an annual programme of festivals and events to attract people into West Norfolk and showcase our area | 13. we will explore devolution options for West Norfolk to help us take more control over the services that impact on people's lives | 16. we will continue to support improvements in the educational attainment of our young people |
| 2. we will continue to seek new and effective ways of working | 5. we will meet our housing growth targets | 8. we will ensure that our local streets and public open areas are clean | 11. we will support the improvement of our built heritage, drawing in third-party funding wherever possible | 14. we will lobby for infrastructure improvements including rural broadband and mobile coverage, road and rail improvements and coastal defence | 17. we will work closely with partners in health and adult services to improve services for older people |
| 3. we will take opportunities to generate income and draw in grant funding where it helps us achieve our priorities | 6. we will support activity that helps drive up the skills levels of local people | 9. we will pro-actively address anti-social behaviour | 12. we will support leisure and tourism within the borough | 15. we will lobby to retain the core service infrastructure – such as the hospital, appropriate medical and judicial services, education and others - that reflects the needs of local people and the importance of West Norfolk in the sub-region | 18. we will support 'early help' initiatives aimed at preventing problems from arising in the first place |

## 5 Annual Governance Statement

The Annual Governance Statement, which can be found at Annual Governance Statement | Borough Council of King's Lynn & West Norfolk, provides a review of the effectiveness of the Council's governance framework, internal control and risk management arrangements.

## 6 Financial Performance – Revenue

The Council set a revised budget in its February 2018 Monitoring of £20,535,860, a pension lump sum reimbursement of £2,932,000 and intending to move £196,710 to its General Fund balance, to give a Budget Requirement of £17,800,570.

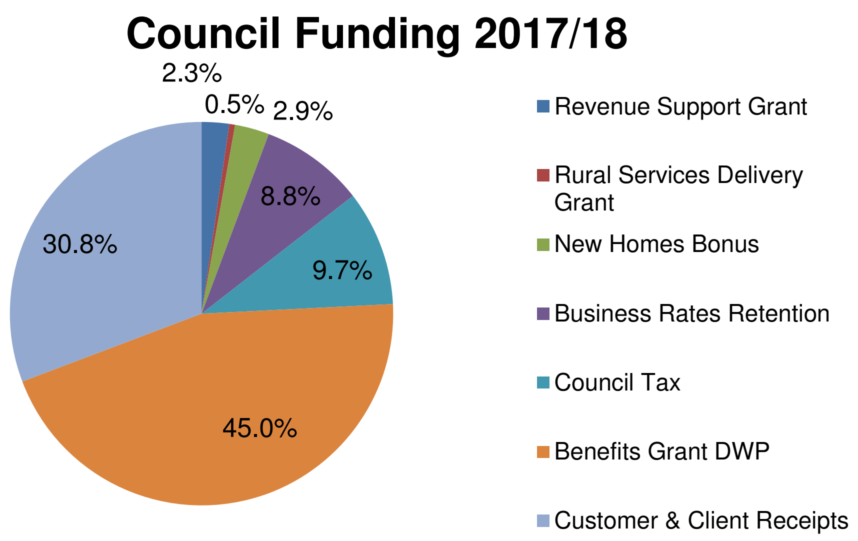
The outturn position for the year shows expenditure of £20,531,584, a pension lump sum reimbursement of £2,932,000 and a transfer of £200,824 to the General Fund Balance thereby meeting the Budget Requirement of £17,800,570. The movement of the General Fund balance is detailed below. The outturn position is incorporated within the Comprehensive Income and Expenditure Statement, deficit on provision of services. During the audit of the 2017/2018 Statement of Accounts two adjustments totalling £277,355.80 have been agreed.

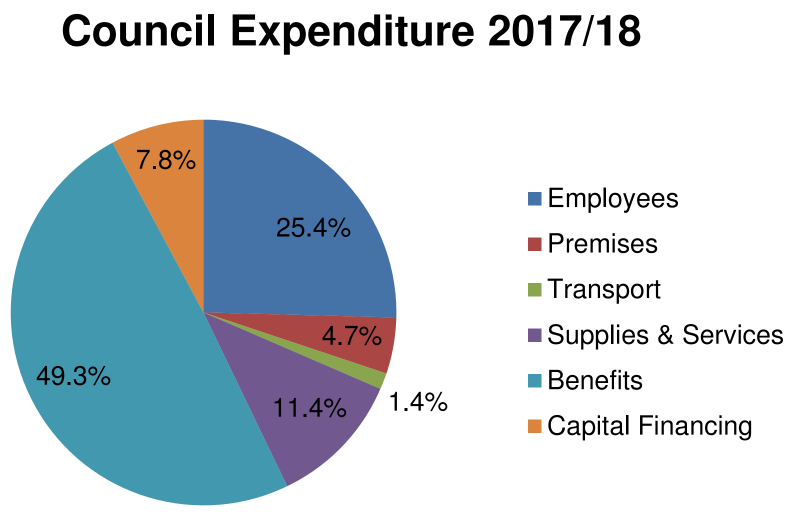
| | Original Budget 2017/2018 | | Revised Budget February 2018 | | Actual 2017/2018 | |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | |
| **Balance brought forward** | | (8,745) | | (8,745) | | (8,745) |
| | | | | | | |
| Expenditure in the year | 20,696 | | 20,536 | | 20,532 | |
| Budget Requirement | 17,755 | | 17,801 | | 17,801 | |
| Reimbursement of lump sum Pension Payment | | 2,932 | | 2,932 | | 2,932 |
| (Surplus)/ for year | | (9) | | (197) | | (201) |
| | | | | | | |
| **Balance carried forward** | | **(5,822)** | | **(6,010)** | | **(6,014)** |
| Adjustments agreed during the audit of the 2017/2018 Statement of Accounts | | | | | | 277 |
| **Balance carried forward** | | | | | | **(5,737)** |

The revenue outturn for 2017/2018 is detailed below. The Revenue Outturn was reported to Cabinet 25 June 2018.

| | Revised Estimate 2017/2018 | Actual Outturn 2017/2018 | (Surplus)/Deficit |
|---|---|---|---|
| | £ | £ | £ |
| Corporate | 2,820,300 | 3,276,038 | 455,738 |
| Democracy | 1,431,730 | 1,430,051 | (1,679) |
| **Service Areas:** | | | |
| Central and Community Services | 1,421,660 | 3,248,441 | 1,826,781 |
| Chief Executive | 1,414,940 | 1,385,252 | (29,688) |
| Commercial Services | 4,442,230 | 5,224,761 | 782,531 |
| Environment and Planning | 2,175,560 | 2,233,276 | 57,716 |
| Finance Services | 2,326,130 | 2,124,477 | (201,653) |
| **Services Area Totals** | **16,032,550** | **18,922,296** | **2,889,746** |
| | | | |
| Financing Adjustment | 1,764,990 | (1,127,563) | (2,892,553) |
| Internal Drainage Boards | 2,674,090 | 2,674,088 | (2) |
| Council Tax Support to Parishes | 64,230 | 62,925 | (1,305) |
| **Subtotal** | **20,535,860** | **20,531,746** | **(4,114)** |
| | | | |
| Reimbursement of lump sum Pension Payment | (2,932,000) | (2,932,000) | 0 |
| Contribution to Balances as reported in February 2018 | 196,710 | 196,710 | 0 |
| **Borough spend for 2017/2018** | **17,800,570** | **17,796,456** | **(4,114)** |
| | | | |
| Additional contribution to Balances | 0 | 4,114 | 4,114 |
| **Revenue Outturn 2017/2018** | **17,800,570** | **17,800,570** | **0** |

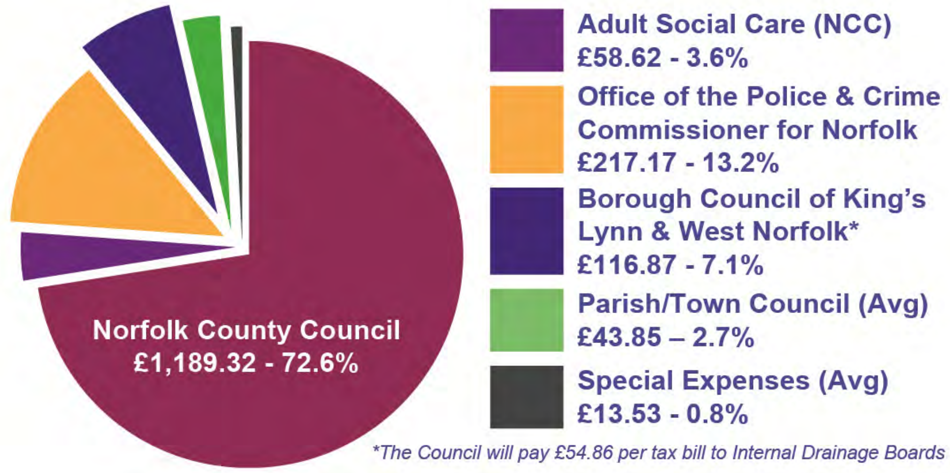
How do we fund our services:




**Council Tax 2017/2018**

The Borough Council element of the full council tax bill in 2017/2018 for a Band D property is £116.87 out of a total of £1,639.36 (including the average parish and special expenses charge). The following graph shows the separate elements of the bill and it is clear that of a Band D charge in 2017/2018 the Borough Council's charge forms a very small part of the bill (7.1%) collected from every council tax payer.



**Our Key achievements during 2017/2018 include:**

The programme of housing development at the Nar Ouse site, known as Nar Valley, continued during 2017/2018. There were 4 homes remaining to be sold from phase 2 of the project. Works commenced on the construction of phase 3 in October 2017 with the first units available for sale in May 2018. Phase 3 is due to complete in February 2019. The joint venture with Norfolk County Council is set to deliver around 170 new homes built in three phases.

Aerial view of Nar Valley Park

The Council acquired 21 acres of additional residential/commercial development land at NORA during 2016/2017. Site clearance and ground investigation works have been undertaken. Remediation works on the residential land is due to commence in the summer of 2018 with the delivery of units from April 2019. This housing scheme will be undertaken as part of the council's major housing project and is expected to deliver 100 to 112 units (subject to planning approval).

The council's major housing project is due to deliver 550 new homes over a period of 5 years at sites at Marsh Lane, Lynnsport and NORA in King's Lynn. National housing developer Lovell was appointed in October 2014 to act as our developer partner. There has been extremely positive interest in the Marsh Lane development with homes being reserved against plan as these are released. 12 new homes were sold at Marsh Lane during 2017/2018 and a further 74 are expected to be sold during 2018/2019.

Aerial view of Orchard Place at Marsh Lane

The show homes at Lynnsport 4 and 5 sites will be opened in the summer of 2018.

Layout plan for Lynnsport 4 and 5 sites

The sites at Lynnsport 1 and 3 will come forward after Marsh Lane and Lynnsport 4 and 5.

The award of Heritage Lottery funding of £993,900 was announced in July 2016 for the Hunstanton Heritage Gardens project. Works commenced in the spring 2017 and completed in September 2017. The project ensured the comprehensive restoration of the Hunstanton seafront gardens. New interpretation throughout the gardens and a programme of activities will help people appreciate and understand the history of the area, the geological importance of the cliffs and its value for wildlife.

Cost reduction savings and additional income generation of £304,560 was achieved in 2017/2018 against a target of £237,476. In addition redevelopment works at the council's main office in King's Lynn were undertaken to accommodate the Department of Works and Pensions on the 26 March 2018. The co-location will mean that cost savings are achieved. The council's King's Court building in now home to the borough council, West Norfolk Health, West Norfolk Clinical Commissioning Group and the DWP meaning that all organisations are able to reduce costs while continuing to deliver services.


The launch of our local lottery 'West Norfolk Wins' was held on 20 March 2018 at the King's Lynn Town Hall. Further details can be found on the lottery website https://www.westnorfolkwins.co.uk/

WEST NORFOLK WINS

An extensive programme of festivals and events has been held in conjunction with local business and organisations to attract people into west Norfolk and showcase our area.

Classic Car Day


Forties Lynn 2017 Dad's Army

Fawkes in the Walks 2017

Mini Meet

Details of the programme of events for 2018 can be found on the Council's website https://www.west-norfolk.gov.uk/events

## Financial Performance – Capital

We keep a separate account of all our capital expenditure and income transactions, examples of such transactions would be:

- Buying or selling land or property
- Improvements to our existing assets
- Housing Development
- Purchase of vehicles, plant and equipment
- Awarding improvement grants for private sector housing assistance

During the year the Council spent £21.6m on capital schemes. The main areas of expenditure included:

| Scheme | £ |
|---|---|
| Land Acquisitions | 314,000 |
| NORA Housing Development (50% share of jointly controlled asset with Norfolk County Council) | 2,928,890 |
| Major Housing Development | 12,651,880 |
| Improvement grants for private sector housing assistance | 1,997,890 |
| Enterprise Zone | 995,380 |
| Vehicles, plant and equipment (including ICT equipment) | 561,250 |
| Town Hall and Office Improvements (including works to allow for DWP relocation into Kings Court) | 340,230 |
| H&M Town Centre Development | 899,660 |


Homes go on sale at Orchard Place, part of the major housing development

Ground works start on Lynnsport 4 and 5 sites of the major housing development

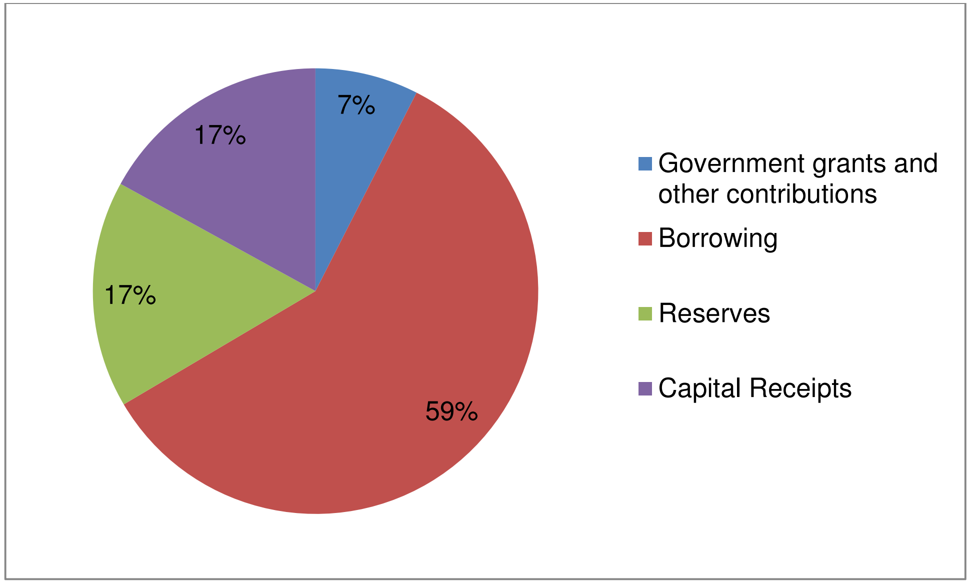
New Homes at Nar Valley Park (NORA Housing Development phase 3)

Shown below is a summary of how we performed on the capital programme compared to the budget:

| Scheme Title | Budget 2017/2018 | Rephasing (to)from 2018/2019 | Outturn 2017/2018 | Variance |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Major Projects** | | | | |
| S106 Funded Projects | 146,800 | (76,920) | 69,560 | (320) |
| Other Major Projects | 4,194,490 | (2,444,100) | 1,826,700 | 76,310 |
| Enterprize Zone | 1,572,630 | (477,250) | 995,380 | (100,000) |
| Major Housing Development | 15,636,490 | (65,140) | 12,651,880 | (2,919,470) |
| NORA Housing Development * | 2,994,030 | (3,001,700) | 2,928,890 | 2,936,560 |
| **Total Major Projects** | **24,544,440** | **(6,065,110)** | **18,472,410** | **(6,920)** |
| | | | | |
| **Operational Schemes** | | | | |
| | | | | |
| Central and Community Services | 2,511,940 | (164,210) | 2,201,020 | (146,710) |
| Commercial Services | 2,591,990 | (1,717,760) | 847,640 | (26,590) |
| Environment and Planning | 16,000 | (7,500) | 8,500 | 0 |
| Finance Services | 106,980 | (68,980) | 35,330 | (2,670) |
| **Total Operational Schemes** | **5,226,910** | **(1,958,450)** | **3,092,490** | **(175,970)** |
| | | | | |
| **Total Capital Programme** | **29,771,350** | **(8,023,560)** | **21,564,900** | **(182,890)** |

*50% NORA Housing Development joint operation with Norfolk County Council

How did we fund our capital expenditure in 2017/2018:




## 7 Current Economic Climate, Outlook and Risk

In February 2017 the Council set out a Financial Plan for 2016/2021. The Plan reflected the continued significant financial challenges faced by the Council including the phasing out of Revenue Support Grant (RSG), changes to the distribution of New Homes Bonus, the impact of the Business Rates revaluation from 2017, a 100% Business Rates Retention Scheme from 2020 and a fair funding review. The Financial Plan for 2017/2022 was agreed by Council in February 2018.

The Council can present a balanced budget for 2018/2019 and a funded budget for the remaining years of the medium term financial plan to 2022. There is significant uncertainty from 2020/2021. The impact of the implementation of a new Business Rates Retention scheme and the Fair Funding Review from 2020/2021 are still unknown, but there is considerable downside risk. A robust process to identify proposals to address the continuing budget deficit has been underway since the autumn 2015. Work is underway to produce the changes required to deliver the savings identified, before 2020/21.

In the Spending Review announcement in Autumn 2015 the Government provided some financial certainty by offering councils the option to take up a four year settlement offer 2016/2020 subject to publishing an 'efficiency plan'. In October 2016 the council submitted an Efficiency Plan to Government in order to secure the multi-year finance settlement. The 4 year offer includes Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG). The ending of RSG has been clearly signaled and it is assumed that the Council will receive no RSG from 2020/2021. As with RSG it has also been assumed that the Council will receive no RSDG from 2020/2021.

The Government focus is on Councils' 'core spending power' inclusive of locally generated resources. The core spending power analysis tables published by the Government for each Council assumes that Councils in the lowest quartile of Council Tax levels (which includes the Borough Council) will introduce the full £5 per annum per Band D dwelling Council Tax increase now permitted under the Council Tax Referendum Principles.

The Secretary of State announced in the Autumn Statement 2016 that a Bill will be introduced into Parliament early in 2017 to provide the framework for the new 100% business rates retention scheme, with trials beginning later in the year. The revised arrangements for business rates retention will not provide this Council with funding to replace the reductions announced in RSG. Under the new arrangements there will still be a formula adjustment to redistribute business rates between two tier authorities and to address economic differences. There will also be a reset of the baseline funding and we do not know how much, if any, of the growth will be retained from 2020. The general election in May 2017 added to the uncertainty for local government in particular the changes to the Business Rates Retention Scheme. In the provisional local government finance settlement for 2018/2019 the Government announced that the aim is for local authorities to retain 75% of business rates from 2020/2021. This will be through incorporating existing grants into business rate retention including the Revenue Support Grant and local authorities will be able to keep that same share of growth on their baselines from 2020/2021 when the system is reset. We await further details of this announcement of a 75% scheme.

The technical consultation 'Fair funding review: a review of relative needs and resources' opened on 19 December 2017 and closed on 12 March 2018. The consultation sought views on the approach to measuring the relative needs of local authorities. The government is working towards an implementation date of 2020/2021. So from 2020/2021 business rates will be redistributed according to the outcome of the new needs assessment. It can be anticipated that there will be winners and losers as a result of the funding review.

Under the current business rates retention scheme the Council retains 40% of any net growth in the business rates achieved and 100% of any growth in business rates from Renewable Energy facilities. In preparing the Financial Plan 2017/2022 assumptions have been made on continued growth in business rates. There can however be no guarantee that business growth will materialise as developers/businesses will respond to changing market conditions, and the added uncertainty as the Brexit arrangements unfold. There is therefore a significant level of risk with this approach. If the anticipated projects do not progress as planned or are cancelled the growth will not be achieved.

The government consulted on further changes to the New Homes Bonus. The Minister announced as part of the provisional local government finance settlement that in the year ahead no new changes will be made to New Homes Bonus

The Council over recent years has adopted a policy of seeking efficiencies and different ways of delivering services producing significant levels of savings. A robust process to identify proposals to address the continuing budget deficit has been underway since autumn 2015. In taking up the offer of a four year funding settlement the Council was required to publish an efficiency plan and monitor progress on delivery of savings.

Work is underway to produce the changes required to deliver the savings identified, before 2020/21. The work being completed, and therefore the savings being generated, are monitored closely and reported in the monthly monitoring reports. Where savings are achieved in advance of 2020/2021 these will be transferred to reserves to fund investment in major capital projects which will provide future revenue income.

It remains difficult in the current economic climate to estimate levels of income in certain services, including planning, car parks and industrial estates and a cautious approach has been taken in projecting forward into 2018/2022.

The Council has a planned approach to the use of the general fund balance. As in previous years the Council continues to make use of working balances and reserves to protect against volatile changes in the cost of services, receipt of income and more significantly funding levels from business rates growth. At no time does the Plan take working balances below the minimum level as stated in the Policy on Earmarked Reserves and General Fund Working Balance of the Council.

The Financial Plan 2017/2022 does show that the Council can present a balanced budget for 2018/2019 and a funded budget for the remaining years of the medium term financial plan to 2022. The current general fund balances would be required to support the budget in the event that income levels are not achieved and/or delayed, whilst further cost reductions are made. The savings required by the end of the Financial Plan are £2.6m and may be even higher depending on the impact of changes to the Business Rates Retention scheme and the Fair Funding Review.

The funding for the period to 2019/2020 is presented with a degree of certainty in respect of RSG and RSDG funding as the Council has taken up the 4 year offer. However there are still potential further changes to New Homes Bonus and uncertainty that the Business Rates growth included in the Plan does not come to fruition.

The significant risk is from 2020/2021. The detailed arrangements for the implementation of the changes to the Business Rates Retention scheme are not known and the re-set of the baseline may mean that the Council does not retain all the growth currently included in the Plan. The Fair Funding Review will determine the starting point under the new Business Rates Retention scheme.

**Borrowing Facilities**

The Council will enter into borrowing where it can demonstrate that financial savings can be achieved by outright purchase of equipment, as opposed to the use of an operating lease and the payment of an annual lease. During 2017/2018 £220,700 was spent on the purchase of equipment and vehicles funded through internal borrowing. Internal borrowing is used whenever it is most financially advantageous to do so. Internal borrowing is the use of internal funds (short term cash flows and reserves and balances not immediately required) rather than taking external debt. Funds held in short term investments may be withdrawn and used in place of external borrowing.

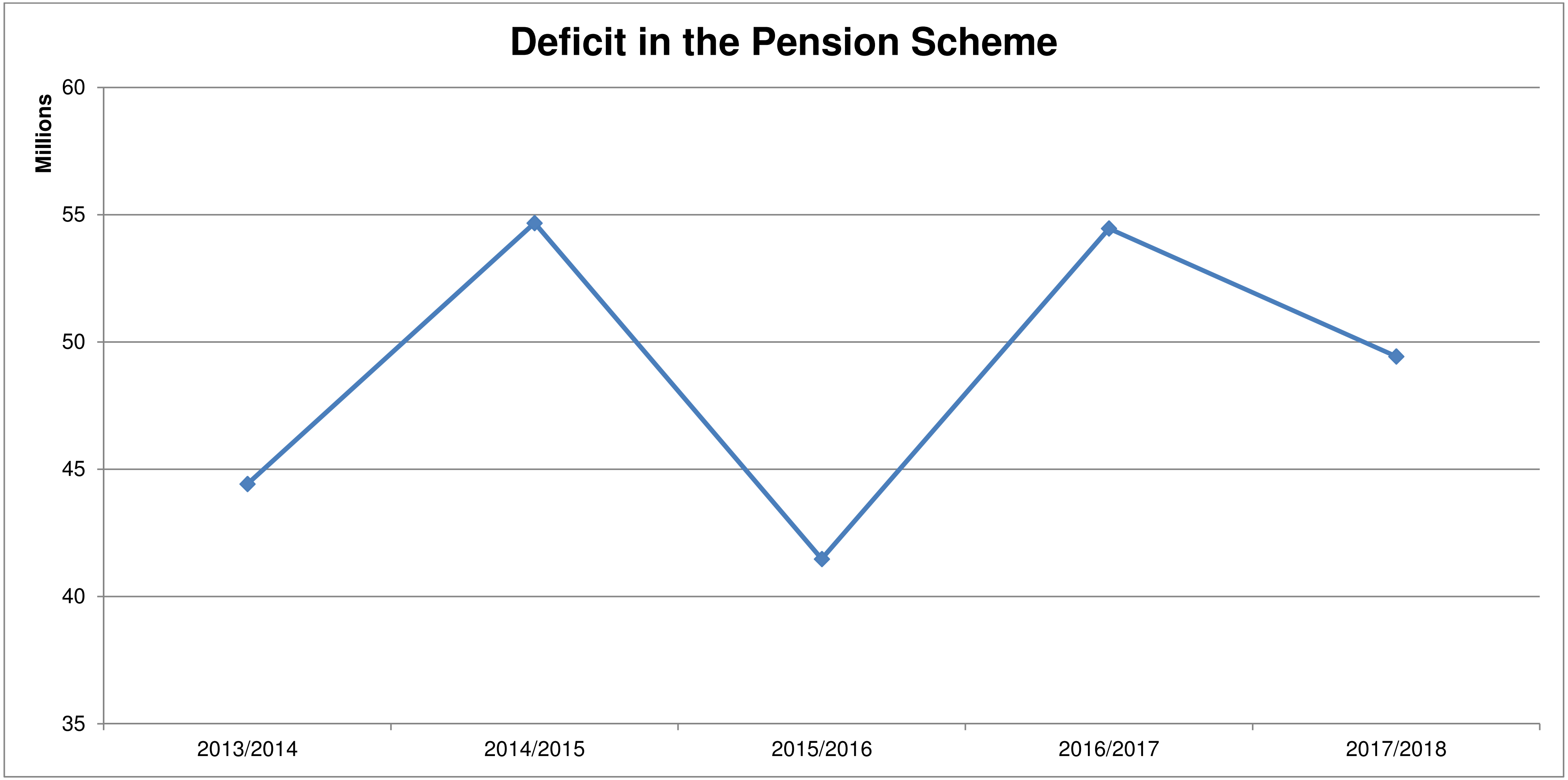
Temporary borrowing is included for cash flow purposes to ensure a balanced funding of the capital programme in each of the financial years and in advance of capital receipts. Internal borrowing will be used whenever it is most financially advantageous to do so. The actual required temporary borrowing will depend on re-phasing in the capital programme and capital receipts achieved in each year. Temporary borrowing is maintained at the minimum level required. The cost of funding planned temporary borrowing is included in the revenue budget and is confirmed as affordable. In the event that additional temporary borrowing is required during the financial year the impact on the revenue budget is reported in the monthly monitoring reports to Members. The expenditure in 2017/2018 on the Major Housing development at Lynnsport and Marsh Lane in King's Lynn has been mainly funded by temporary internal borrowing in advance of the sale of the new properties and from the capital receipts received in 2017/2018 from the sale of properties at Orchard Place. The capital receipts received in 2017/2018 from the sales of the new properties at Nar Valley have funded expenditure incurred in 2017/2018 and repaid in part temporary internal borrowing from prior years.

Fixed term external borrowing may be taken and drawn down as expenditure is required and rates are favourable. External borrowing will be sourced through market loans or PWLB depending on the most favourable rates.

Details of the Council's external borrowing can be found in the Financial Instruments note to the accounts.

**Pension Fund**

The Council participates in the Local Government Pension Scheme administered by Norfolk County Council. The notes to the accounts include details of the income and expenditure for 2017/2018 and the estimated assets and liabilities of the scheme as at 31 March 2018. The pension fund deficit shown in the balance sheet as at 31 March 2018 stands at £50,691,000. This is the deficit at the date of the balance sheet and is subject to future changes in asset valuations and contributions. The scheme will be funded over the longer term with increased contributions being made if required over the remaining working life of employees, before payments fall due, as assessed by the scheme actuary. The deficit position of the scheme over the last 5 years is shown below.



# CORE FINANCIAL STATEMENTS

# BOROUGH COUNCIL KING'S LYNN AND WEST NORFOLK

# 2017/2018

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net (increase)/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

| Note | Movements in Reserves during 2017/2018 | General Fund Balance | Earmarked General Fund Reserves | Usable Capital Receipts | Capital Grants Unapplied Account | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | | | |
| | **Balance at 1 April 2017 Brought Forward** | (8,745) | (20,451) | (3,815) | (933) | **(33,944)** | (101,206) | **(135,150)** |
| | | | | | | | | |
| CIES | (Surplus)/Deficit on Provision of Services | 7,867 | 0 | 0 | 0 | **7,867** | 0 | **7,867** |
| CIES | Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | **0** | (6,290) | **(6,290)** |
| CIES | **Total Comprehensive Expenditure and Income** | **7,867** | **0** | **0** | **0** | **7,867** | **(6,290)** | **1,577** |
| | | | | | | | | |
| 7 | Adjustments between Accounting Basis and Funding Basis under Regulations | (7,113) | 0 | (1,040) | (134) | **(8,287)** | 8,287 | **0** |
| | Net (Increase)/Decrease before Transfers to Reserves | **754** | **0** | **(1,040)** | **(134)** | **(420)** | **1,997** | **1,577** |
| 8 | Transfer to/from Reserves | 2,254 | (2,254) | 0 | 0 | **0** | 0 | **0** |
| | **(Increase)/Decrease in Year 2017/2018** | **3,008** | **(2,254)** | **(1,040)** | **(134)** | **(420)** | **1,997** | **1,577** |
| | | | | | | | | |
| | **Balance at 31 March 2018 Carried Forward** | **(5,737)** | **(22,705)** | **(4,855)** | **(1,067)** | **(34,364)** | **(99,209)** | **(133,573)** |

| Note | Movements in Reserves during 2016/2017 | General Fund Balance | Earmarked General Fund Reserves | Usable Capital Receipts | Capital Grants Unapplied Account | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | | | |
| | **Balance at 1 April 2016 Brought Forward** | (5,735) | (19,226) | (1,588) | (895) | **(27,444)** | (113,116) | **(140,560)** |
| | | | | | | | | |
| CIES | (Surplus)/Deficit on Provision of Services | (4,878) | 0 | 0 | 0 | **(4,878)** | 0 | **(4,878)** |
| CIES | Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | **0** | 10,288 | **10,288** |
| CIES | **Total Comprehensive Expenditure and Income** | **(4,878)** | **0** | **0** | **0** | **(4,878)** | **10,288** | **5,410** |
| | | | | | | | | |
| 7 | Adjustments between Accounting Basis and Funding Basis under Regulations | 643 | 0 | (2,227) | (38) | **(1,622)** | 1,622 | **0** |
| | Net (Increase)/Decrease before Transfers to Reserves | **(4,235)** | **0** | **(2,227)** | **(38)** | **(6,500)** | **11,910** | **5,410** |
| 8 | Transfer to/from Reserves | 1,225 | (1,225) | 0 | 0 | **0** | 0 | **0** |
| | **(Increase)/Decrease in Year 2016/2017** | **(3,010)** | **(1,225)** | **(2,227)** | **(38)** | **(6,500)** | **11,910** | **5,410** |
| | | | | | | | | |
| | **Balance at 31 March 2017 Carried Forward** | **(8,745)** | **(20,451)** | **(3,815)** | **(933)** | **(33,944)** | **(101,206)** | **(135,150)** |

**The purposes of these reserves are**:

**General Fund Balance**

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

**Earmarked General Fund Reserves**

Amounts set aside from the General Fund Balance to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure. See note 7 for details.

**Usable Capital Receipts Reserve**

Holds the proceeds from the disposal of non-current assets, which are available to finance capital expenditure in future years.

**Capital Grants Unapplied Reserve**

Holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| 2016/2017 | | | | | 2017/2018 | | |
|---|---|---|---|---|---|---|---|
| **Gross Expenditure** | **Gross Income** | **Net Expenditure** | **Note** | | **Gross Expenditure** | **Gross Income** | **Net Expenditure** |
| £'000 | £'000 | £'000 | | | £'000 | £'000 | £'000 |
| 2,424 | (209) | 2,215 | | Corporate Services | 7,633 | (81) | 7,552 |
| 1,478 | (181) | 1,297 | | Democratic Services | 1,550 | (200) | 1,350 |
| | | | | Service Heads | | | |
| 5,149 | (3,047) | 2,102 | | Central and Community Services | 5,813 | (3,067) | 2,746 |
| 1,843 | (2,502) | (659) | | Chief Executive Services | 2,360 | (1,126) | 1,234 |
| 20,067 | (14,439) | 5,628 | | Commercial Services | 19,889 | (14,080) | 5,809 |
| 2,967 | (1,960) | 1,007 | | Environment and Planning Services | 4,023 | (2,151) | 1,872 |
| 42,838 | (41,018) | 1,821 | | Finance Services | 40,866 | (38,814) | 2,052 |
| **76,766** | **(63,356)** | **13,410** | | **Cost of Services** | **82,134** | **(59,519)** | **22,615** |
| | | 4,652 | 9 | Other Operating Expenditure | | | 4,813 |
| | | (581) | 10 | Financing and Investment Income and Expenditure | | | 814 |
| | | (22,360) | 11 | Taxation and Non-specific Grant Income | | | (20,375) |
| | | **(4,879)** | | **(Surplus)/Deficit on Provision of Services** | | | **7,867** |
| | | 3 | | Deficit on revaluation of fixed assets | | | (731) |
| | | 10,285 | 20 | Actuarial (gains)/losses on pensions assets/liabilities | | | (5,559) |
| | | **10,288** | | **Other Comprehensive Income and Expenditure** | | | **(6,290)** |
| | | **5,409** | | **Total Comprehensive Income and Expenditure** | | | **1,577** |

## Balance Sheet

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

| 31 March 2017 | Note | | 31 March 2018 |
|---|---|---|---|
| £'000 | | | £'000 |
| 135,612 | 27 | Property, Plant and Equipment | 141,466 |
| 17,954 | 26 | Heritage Assets | 17,954 |
| 24,349 | 24 | Investment Property | 24,582 |
| 512 | 25 | Intangible Assets | 380 |
| 3,059 | 36 | Long Term Investments | 4,044 |
| 4,673 | 31 | Long Term Receivables | 1,725 |
| **186,159** | | **Long Term Assets** | **190,151** |
| 18,700 | 36 | Short Term Investments | 6,062 |
| 95 | | Inventories | 81 |
| 7,610 | 30 | Short Term Receivables | 10,919 |
| 4,339 | 14 | Cash and Cash Equivalents | 4,103 |
| 2,339 | 29 | Assets Held for Sale | 2,024 |
| **33,083** | | **Current Assets** | **23,189** |
| (1,676) | 34 | Provisions | (2,031) |
| (230) | 36 | Short Term Borrowing | (3,769) |
| (14,190) | 32 | Short Term Payables | (13,887) |
| **(16,096)** | | **Current Liabilities** | **(19,687)** |
| (304) | 35 | Grants Receipts in Advance | (90) |
| (13,000) | 36 | Long Term Borrowing | (10,300) |
| (230) | | Other Long Term Liabilities | (257) |
| (54,460) | 20 | Pension Liabilities | (49,433) |
| **(67,994)** | | **Long Term Liabilities** | **(60,080)** |
| **135,152** | | **Net Assets** | **133,573** |
| (33,946) | MIR | Usable Reserves | (34,364) |
| (101,206) | 13 | Unusable Reserves | (99,209) |
| **(135,152)** | | **Total Reserves** | **(133,573)** |

I certify that the draft statement of accounts gives a true and fair view of the financial position of the Authority as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018. These financial statements replace the unaudited statements I certified on 31 May 2018.

Lorraine Gore

Deputy Chief Executive/Executive Director Financial Services (S151 Officer)

31 July 2018

## Cash Flow Statement

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

| 2016/2017 | Note | | 2017/2018 |
|---|---|---|---|
| £'000 | | | £'000 |
| | | | |
| 4,878 | CIES | Net Surplus or (Deficit) on the Provision of Services | (7,867) |
| 16,905 | | Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements | 12,096 |
| (8,578) | | Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 163,665 |
| **13,205** | | **Net Cash flows from Operating Activities** | **167,894** |
| (3,826) | | Investing Activities | (167,956) |
| (6,524) | | Financing Activities | (174) |
| **2,855** | | **Net Increase or Decrease in Cash and Cash Equivalents** | **(236)** |
| | | | |
| 1,484 | | Cash and Cash Equivalents at the beginning of the Reporting Period | 4,339 |
| | | | |
| **4,339** | 14 | **Cash and Cash Equivalents at the End of the Reporting Period** | **4,103** |

# NOTES TO CORE FINANCIAL STATEMENTS

## Notes to Core Financial Statements

### 1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis reflects the structure of budget reporting throughout the year and how the expenditure is allocated for decision making purposes. This statement provides reconciliation between our operational reporting structure and the Comprehensive Income and Expenditure Statement which is presented on an accounting basis.

| 2016/2017 | | | | 2017/2018 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure Chargeable to General Fund** | **Adjustments between Funding and Accounting Basis** | **Net Expenditure in the Comprehensive Income and Expenditure Statement** | | **Net Expenditure Chargeable to General Fund** | **Adjustments between Funding and Accounting Basis** | **Net Expenditure in the Comprehensive Income and Expenditure Statement** |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 2,959 | (744) | 2,215 | Corporate Services | 3,150 | 4,402 | 7,552 |
| 1,211 | 86 | 1,297 | Democracy | 1,313 | 37 | 1,350 |
| (436) | 2,538 | 2,102 | Central & Community Services | 183 | 2,563 | 2,746 |
| (2,509) | 1,850 | (659) | Chief Executive | 1,157 | 78 | 1,235 |
| (2,204) | 7,832 | 5,628 | Commercial Services | 2,228 | 3,580 | 5,808 |
| 1,521 | (514) | 1,007 | Environment & Planning | 1,728 | 144 | 1,872 |
| 1,281 | 540 | 1,821 | Finance Service | 2,160 | (108) | 2,052 |
| **1,823** | **11,588** | **13,411** | **Net Cost of Services** | **11,919** | **10,696** | **22,615** |
| (4,833) | (13,456) | (18,289) | Other Income and Expenditure | (8,911) | (5,837) | (14,748) |
| **(3,010)** | **(1,868)** | **(4,878)** | **Surplus or Deficit** | **3,008** | **4,859** | **7,867** |
| (5,735) | | | **Opening General Fund Balance 1st April** | (8,745) | | |
| (3,010) | | | **Surplus/(Deficit) on General fund in year** | 3,008 | | |
| **(8,745)** | | | **Closing General Fund Balance 31st March** | **(5,737)** | | |

## 1a Note to the Expenditure and Funding Analysis – Adjustment between Funding and Accounting Basis

| 2017/2018 | Adjustments for Capital Purposes | Net change for the Pensions Adjustment | Transfer to Earmarked Reserves | Adjustments for Investment Properties | Other Differences | Total Adjustments |
|---|---|---|---|---|---|---|
| Corporate Services | 4,765 | (19) | (289) | 0 | (55) | **4,402** |
| Democracy | 0 | (22) | 59 | 0 | 0 | **37** |
| Central & Community Services | 2,235 | (157) | 485 | 0 | 0 | **2,563** |
| Chief Executive | 6 | (42) | 114 | 0 | 0 | **78** |
| Commercial Services | 2,033 | (137) | 937 | 747 | 0 | **3,580** |
| Environment & Planning | 7 | (115) | 252 | | | **144** |
| Finance Services | 38 | (109) | (37) | 0 | 0 | **(108)** |
| **Net Cost of Services** | **9,084** | **(601)** | **1,521** | **747** | **(55)** | **10,696** |
| **Other Income and Expenditure** | (8,058) | 1,404 | 733 | (747) | 831 | **(5,837)** |
| **Surplus or Deficit** | 1,026 | 803 | 2,254 | 0 | 776 | **4,859** |

| 2016/2017 | Adjustments for Capital Purposes | Net change for the Pensions Adjustment | Transfer to Earmarked Reserves | Adjustments for Investment Properties | Other Differences | Total Adjustments |
|---|---|---|---|---|---|---|
| Corporate Services | 908 | 63 | (1,715) | 0 | 0 | **(744)** |
| Democracy | 0 | 44 | 42 | 0 | 0 | **86** |
| Central & Community Services | 1,840 | 313 | 385 | 0 | 0 | **2,538** |
| Chief Executive | 6 | 88 | 1,756 | 0 | 0 | **1,850** |
| Commercial Services | 3,752 | 419 | 1,379 | 2,282 | 0 | **7,832** |
| Environment & Planning | (919) | 227 | 178 | 0 | 0 | **(514)** |
| Finance Services | 3 | 224 | 313 | 0 | 0 | **540** |
| **Net Cost of Services** | **5,590** | **1,378** | **2,338** | **2,282** | **0** | **11,588** |
| **Other Income and Expenditure** | (8,953) | 1,472 | (1,113) | (2,282) | (2,580) | **(13,456)** |
| **Surplus or Deficit** | (3,363) | 2,850 | 1,225 | 0 | (2,580) | **(1,868)** |

## 1b Note to the Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £’000 | | £’000 |
| | | |
| (20,596) | Fees, Charges & Other Service Income | (21,467) |
| (2,127) | Interest and Investment Income | (996) |
| (8,219) | Income from Council Tax | (8,756) |
| (7,636) | Income from Retained Business Rates | (16,888) |
| (49,265) | Government Grants and Contributions | (50,493) |
| **(87,843)** | **Total Income** | **(98,600)** |
| | | |
| 16,503 | Employee Expenses | 18,819 |
| 47,010 | Other Service Expenses | 67,062 |
| 6,494 | Support Service Recharges | 4,240 |
| 6,760 | Depreciation, Amortisation and Impairment | 9,674 |
| 1,546 | Interest Payments | 1,859 |
| 5,295 | Precepts & Levies | 5,536 |
| (643) | [Gain / Loss] on Disposal of Non-Current Assets | (723) |
| **82,965** | **Total Expenditure** | **106,467** |
| | | |
| **(4,878)** | **Surplus/Deficit on the Provision of Services** | **7,867** |

## 2 Restatements – Prior Period Adjustments

There are no prior period adjustments within the Statement of Accounts for 2017/2018.

## 3 Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following standards have been amended and will be introduced in the 2018/2019 code:.

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables and available for sale to amortised cost and fair value through other comprehensive income holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years. The Council is not aware of any material impact on its Cash Flow Statement from this.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured fair value. None of the Council's subsidiary companies in the Group Accounts have such debt instruments.

## 4 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Deputy Chief Executive/Executive Director Financial Services (S151 Officer) on 30 July 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no adjusting events that have taken place after 31 March 2018.

## 5 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 110 to 133 the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Impairment of Non-Current Assets – there is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

## 6 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of Financial Statements requires Management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for the Revenues and Expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next Financial Year are:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repair and maintenance that will be incurred in relation to individual assets. Service reviews have led to a reduction in expenditure; however there has not been a reduction in repair and maintenance of assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall.<br>The net book value of the Authority's property, plant and equipment assets is £144m as at 31 March 2018. Of this, £65m relates to land which is not subject to depreciation and is considered to have an infinite life. Vehicle, plant and equipment assets account for £4.5m with asset lives between 5 and 15 years. If the asset lives are reduced by 1 year across vehicle, plant and equipment it is estimated that depreciation would increase by £296,200 and the value of the assets decrease. For buildings, the asset life is up to 60 years unless the asset has major components which are depreciated separately. It is estimated that if the asset life for buildings reduced by 1 year, depreciation would increase by £123,381 and the value of the asset decrease. |

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate would increase employer liability by 10% and cost £19,120,000; a 0.5% increase in the salary increase rate would lead to an increase of 2% in employer liability and cost £3,104,000 and a 0.5% increase in the pension increase rate would increase employer liability by 8% and cost £15,740.<br><br>However, the assumptions interact in complex ways. The carrying value on the Balance Sheet of Pensions Liability as at 31 March 2018 was (£50,691,000). |
| Arrears | At 31 March 2018, the Authority had a balance of sundry receivables of £4,110,746. A review of significant balances suggested that an allowance for doubtful debts of 41% (£1,699,419) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates were to deteriorate, it would be considered prudent to increase the amount of doubtful debts allowance by £525,530. |
| Business Rate Appeals | Since the introduction of Business Rates Retention Scheme, effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2018. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018. | If the average success rate of NNDR appeals was to increase by 1% the Council would have to increase its NNDR appeals provision by £85,163. |

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## 7 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

These notes detail adjustments made to the local CIES recognised by the Authority in the year, in accordance with proper accounting practices. They refer to resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| 2016/2017 | | | | | 2017/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Usable Reserves | | | | | Usable Reserves | | |
| General Fund Balance | Usable Capital Receipts | Capital Grants Unapplied | Movement in Unusable Reserves | | General Fund Balance | Usable Capital Receipts | Capital Grants Unapplied | Movement in Unusable Reserves |
| £'000 | £'000 | £'000 | £'000 | **Adjustments Involving the Capital Adjustment Account** | £'000 | £'000 | £'000 | £'000 |
| | | | | **Reversal of items Debited/(Credited) to the CIES:** | | | | |
| (4,774) | 0 | 0 | 4,774 | Charges for Depreciation and Impairment of Non-Current Assets | (6,811) | 0 | 0 | 6,811 |
| (1,876) | 0 | 0 | 1,876 | Revaluation Losses on Property, Plant and Equipment (Note 11-CAA) | (3,190) | 0 | 0 | 3,190 |
| 394 | | | (394) | Movements in the Market Value of Investment Properties | 49 | 0 | 0 | (49) |
| 1,559 | 0 | | (1,559) | Reverse Impairments in year from Revaluation Increase | 0 | 0 | 0 | 0 |
| (202) | 0 | 0 | 202 | Amortisation of Intangible Assets | (151) | 0 | 0 | 151 |
| (688) | 0 | 0 | 688 | Revenue Expenditure Funded from Capital under Statute | (1,242) | 0 | 0 | 1,242 |
| (4,685) | 0 | 0 | 4,685 | Amounts of Non-Current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES | (3,647) | 0 | 0 | 3,647 |
| (27) | 0 | 0 | 27 | Soft Loans - Adjustments | (61) | 0 | 0 | 61 |
| 0 | 0 | 0 | 0 | Fair Value Adjustment for Donated Assets | 0 | 0 | 0 | 0 |
| 1,955 | 0 | 0 | (1,955) | Capital Grants and Contributions Applied | 1,475 | 0 | 0 | (1,475) |
| | | | | **Insertion of items not Debited/(Credited) to the CIES** | | | | 0 |
| 320 | 0 | 0 | (320) | Statutory Provision for the Financing of Capital Investment | 294 | 0 | 0 | (294) |
| 925 | 0 | 0 | (925) | Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing | 946 | 0 | 0 | (946) |
| 2,544 | 0 | 0 | (2,544) | Capital Expenditure charged against the General Fund | 2,106 | 0 | 0 | (2,106) |
| 0 | 0 | 0 | 0 | Principal repayment of Finance Leases where the Council is the lessor | 0 | 0 | 0 | 0 |
| 15 | 0 | 0 | (15) | Principal repayment of Finance Leases where the Council is the lessee | 11 | 0 | 0 | (11) |
| | | | | **Adjustment primarily involving the Capital Grants Unapplied Account** | | | | |
| 0 | 0 | 18 | (18) | Application of Grants to Capital Financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute | 0 | 0 | 70 | (70) |
| 56 | 0 | (56) | 0 | Capital Grants & Contributions unapplied credit to the Comp I & E | 0 | 0 | (204) | 204 |

| 2016/2017 General Fund Balance | 2016/2017 Usable Reserves: Usable Capital Receipts | 2016/2017 Usable Reserves: Capital Grants Unapplied | 2016/2017 Movement in Unusable Reserves | | 2017/2018 General Fund Balance | 2017/2018 Usable Reserves: Usable Capital Receipts | 2017/2018 Usable Reserves: Capital Grants Unapplied | 2017/2018 Movement in Unusable Reserves |
|---|---|---|---|---|---|---|---|---|
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| | | | | **Adjustment Primarily Involving the Capital Receipts Reserve** | | | | |
| 5,275 | (5,275) | 0 | 0 | Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | 4,345 | (4,345) | 0 | 0 |
| 0 | 3,048 | 0 | (3,048) | Use of Capital Receipts Reserve to Finance New Capital Expenditure | 0 | 3,375 | 0 | (3,375) |
| | | | | Repayment of improvement Grant and Release of Covenant | 70 | (70) | | 0 |
| | | | | | | | | |
| | | | | **Adjustments Involving the Financial Instruments Adjustment Account:** | | | | |
| 70 | 0 | 0 | (70) | Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year (in accordance with statutory requirements) | 97 | 0 | 0 | (97) |
| | | | | **Adjustments Involving the Pensions Reserve:** | | | | |
| (4,766) | 0 | 0 | 4,766 | Reversal of items relating to Post -Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES (Note 20) | (7,054) | 0 | 0 | 7,054 |
| 2,070 | 0 | 0 | (2,070) | Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year | 6,522 | 0 | 0 | (6,522) |
| | | | | **Adjustments Involving the Collection Fund Adjustment Account:** | | | | |
| 107 | 0 | 0 | (107) | Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements) | 131 | 0 | 0 | (131) |
| 2,371 | 0 | 0 | (2,371) | Amount by which Non-Domestic Rates Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements) | (1,058) | 0 | 0 | 1,058 |
| | | | | **Adjustment Involving the Accounting Compensated Absences Adjustment Account:** | | | | |
| 0 | 0 | 0 | 0 | Amount by which Officer Remuneration charged to the CIES on an Accruals basis is different from Remuneration Chargeable in the Year (in accordance with statutory requirements) | 55 | 0 | 0 | (55) |
| **587** | **(2,227)** | **18** | **1,622** | **Total Adjustments** | **(7,113)** | **(1,040)** | **(134)** | **8,287** |

## 8 Movement in Reserves Statement – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/2018.

| | Balance as at 31 March 2016 | Transfer Out 2016/2017 | Transfer In 2016/2017 | Balance as at 31 March 2017 | Adjustment 2017/2018 | Transfer Out 2017/2018 | Transfer In 2017/2018 | Balance as at 31 March 2018 |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **General Fund:** | | | | | | | | |
| | | | | | | | | |
| Amenity Areas Reserve | 272 | 0 | 1 | 273 | 0 | (15) | 1 | 259 |
| Capital Programme Resources Reserve | 8,505 | (2,159) | 2,330 | 8,676 | 0 | (1,645) | 2,743 | 9,774 |
| West Norfolk Partnership | 289 | (12) | 30 | 307 | 0 | (21) | 635 | 921 |
| Insurance Reserve | 143 | 0 | 130 | 273 | 0 | (38) | 15 | 250 |
| Restructuring Reserve | 750 | 0 | 0 | 750 | 0 | (226) | 0 | 524 |
| Repairs and Renewals Reserve | 1,258 | (470) | 203 | 991 | 0 | (334) | 456 | 1,113 |
| Holding Accounts | 2,133 | (81) | 527 | 2,579 | 0 | (922) | 301 | 1,958 |
| Ring Fenced Reserve | 1,114 | (85) | 244 | 1,273 | 0 | (159) | 361 | 1,475 |
| Planning Reserve | 628 | (126) | 26 | 528 | 0 | (34) | 0 | 494 |
| Grants Reserves | 792 | (281) | 2,137 | 2,648 | 42 | (33) | 275 | 2,932 |
| Collection Fund Adjustments | 3,324 | (1,171) | 0 | 2,153 | (42) | (336) | 815 | 2,590 |
| Project Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 415 | 415 |
| | | | | | | | | |
| **Total** | **19,208** | **(4,385)** | **5,628** | **20,451** | **0** | **(3,763)** | **6,017** | **22,705** |

**Movement in Reserves Statement – Purpose of Reserve**

Amenity Areas Reserve – used to maintain amenity land on housing and other sites.

Capital Programme Resources Reserve – used to fund the Capital Programme including replacement of vehicles and personal computers. It has been established by annual contributions from the revenue budget and is a combination of various specific capital reserves.

West Norfolk Partnership – tackles problems affecting residents of West Norfolk in a joint initiative between public, private and voluntary sector organisations.

Insurance Reserve – was established to fund expenditure required as necessary by our Insurance Company and also to meet areas of risk management expenditure.

Restructuring Reserve – meets any future in-year costs arising through service reviews and changes in staffing structure.

Repairs and Renewals Reserve – are maintained to help equalise the impact on the revenue accounts of programmed repairs. Annual contributions help to maintain the levels of the funds.

Holding Accounts – there are a number of reserves included under this heading, the main reserves include: £192,700 housing reserves, in particular Homelessness Projects, £300,560 Reserves for cleansing and refuse/recycling, £109,000 Legal Commissioning Reserve, £275,800 Elections Reserve.

Ring Fenced Reserve - can only be used for specific purposes. Included are Section 106 Funds, the Building Control account and Trust Funds that are administered by the Authority on behalf of trustees.

Planning Reserve – used to enable the Council to fulfil its planning role.

Grants Reserves - money received from external bodies for specific tasks.

Collection Fund Adjustment Reserve – this reserve holds the accounting adjustments necessary for the Council's NNDR Safety Net and Levy payments.

Project Reserves – to be used for implementation costs on future projects.

## 9 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 2,656 | Parish Council Precepts | 2,862 |
| 2,639 | Levies | 2,674 |
| (643) | Net (Gains) on the Disposal of Non-current Assets | (723) |
| | | |
| **4,652** | | **4,813** |

## 10 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 468 | Interest Payable and similar charges | 455 |
| 1,472 | Net Interest on the net defined Benefit Liability (Asset) | 1,404 |
| (428) | Interest (Receivable) and similar income | (292) |
| (394) | Net (Gains) and Losses on Fair Value Adjustments on Investment Properties | (49) |
| (1,699) | Net (Income) from Investment Properties | (704) |
| | | |
| **(581)** | | **814** |

## 11 Comprehensive Income and Expenditure Statement – Taxation and Non-Specific Grant Income and Expenditure

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| (8,219) | Council Tax (Income) | (8,756) |
| (7,636) | Non-domestic Rates (Income and Expenditure) | (6,967) |
| (6,505) | Non-Ring fenced Government Grants (Income) | (4,652) |
| **(22,360)** | | **(20,375)** |

## 12 Comprehensive Income and Expenditure Statement – Material Item of Income and Expenditure 2017/2018

In 2017/2018 an increase in the defined benefits Pension obligation of £2,437,000 and an increase in the fair value of Assets of £7,464,000 have decreased the Authority's Pensions liabilities to £49,433,000.

In 2017/2018 the council received £36,792,000 from the Department of Works and Pensions towards the cost of Housing Benefits payments. During the same period, the council spent £36,888,000 on Housing Benefits payments.

## 13 Balance Sheet – Reserves

Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on Page 43-45.

Unusable Reserves

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| (61,847) | Revaluation Reserve | (61,627) |
| (92,865) | Capital Adjustment Account | (86,835) |
| 515 | Financial Instruments Adjustment Account | 418 |
| 54,460 | Pensions Reserve | 49,433 |
| (1,678) | Collection Fund Adjustment Account | (752) |
| 209 | Accumulating Compensated Absences Adjustment Account | 154 |
| | | |
| **(101,206)** | | **(99,209)** |

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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. 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.

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| **(62,630)** | **Balance at 1 April** | **(61,847)** |
| | | |
| 336 | Upward Revaluation of Assets | (899) |
| (367) | Impairment Losses | 302 |
| (31) | In Year Surplus on revaluation of non-current assets | (597) |
| | | |
| 735 | Difference between Fair Value Depreciation and Historical Cost Depreciation | 722 |
| | | |
| 79 | Accumulated Gains on Assets Sold or Scrapped written off to the Capital Adjustment Account | 95 |
| 814 | In Year amounts written out to the Capital Adjustment Account | 817 |
| | | |
| **(61,847)** | | **(61,627)** |

Capital Adjustment Account

- The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of Non-Current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| **(93,558)** | **Balance at 1 April** | **(92,865)** |
| 16 | Opening Balance Adjustment | 0 |
| 3,162 | Charges for Depreciation and Impairment of Non-Current Assets | 3,052 |
| 1,557 | Charges for Impairment of Non-Current Assets - Property, Plant and Equipment | 1,987 |
| 4 | Charges for Impairment of Non-Current Assets -Investment Properties | 0 |
| 33 | Charges for Impairment of Non-Current Assets -Heritage Assets | 6 |
| 18 | Charges for Impairment of Non-Current Assets -Other | 0 |
| 0 | Derecognition of Assets | 1,701 |
| 1,876 | Revaluation Losses on Property, Plant and Equipment | 3,202 |
| (1,559) | Reverse Impairments in year from Revaluation Increase | (12) |
| 202 | Amortisation of Intangible Assets | 151 |
| 688 | Revenue Expenditure Funded from Capital Under Statute (Net) | 1,242 |
| 3,542 | Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain)/Loss on Disposal to the CIES Statement- Property, Plant and Equipment | 2,376 |
| 251 | Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain)/Loss on Disposal to the CIES Statement- Assets held for Sale | 1,270 |
| 892 | Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the (Gain)/Loss on Disposal to the CIES Statement- Investment Properties | 1 |
| (814) | Adjusting Amounts Written out of the Revaluation Reserve | (754) |
| (56) | Capital Grants and Contributions Credited to the CIES that have been applied to Capital Financing | (140) |
| (1,900) | Capital Grants from reserves applied to capital Financing | (1,335) |
| (3,049) | Application of Capital Receipts | (3,374) |
| (2,544) | Capital Expenditure Charged Against the General Fund | (2,106) |
| (320) | Statutory Provision for the Financing of Capital Investment charged against the General Fund Balance | (294) |
| (925) | Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing | (946) |
| (394) | Movements in the Market Value of Investment Properties Debited/(Credited) to the CIES | (49) |
| (15) | Principal repayment of Finance Leases where the Council is the lessee | (11) |
| 28 | Soft Loans - Principal repaid | 63 |
| **(92,865)** | **Balance at 31 March** | **(86,835)** |

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account contains the difference between financial instruments measured at fair value and the balances required to comply with statutory requirements. As part of its Private Sector Housing Policy the Authority makes loans to private individuals at nil interest. This means that market rates of interest have not been charged and these loans are classified as soft loans. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account to the net credit required against the General Fund Balance is managed by a transfer to/from the Financial Instruments Adjustment Account see note 5.

| **2016/2017** | | **2017/2018** |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 584 | **Balance at 1 April** | 515 |
| (69) | In Year fair value adjustment of Private Sector Housing Loans | (97) |
| | | |
| **515** | **Balance at 31 March** | **418** |

Pensions Reserve

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

| **2016/2017** | | **2017/2018** |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 41,479 | **Balance at 1 April** | 54,460 |
| 10,285 | Actuarial (Gains)/Losses on Pensions Assets and Liabilities | (5,559) |
| 4,766 | Reversal of items relating to Retirement Benefits on the Provision of Services in the CIES | 7,054 |
| (2,070) | Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year | (6,522) |
| **54,460** | **Balance at 31 March** | **49,433** |

Collection Fund Adjustment Account

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

| Council Tax | NNDR | Total | | Council Tax | NNDR | Total |
|---|---|---|---|---|---|---|
| 2016/2017 | 2016/2017 | 2016/2017 | | 2017/2018 | 2017/2018 | 2017/2018 |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| **(57)** | **858** | **801** | **Balance at 1 April** | **(165)** | **(1,513)** | **(1,678)** |
| (108) | 0 | **(108)** | Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements. | (130) | 0 | **(130)** |
| 0 | (2,371) | **(2,371)** | Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements | 0 | 1,056 | **1,056** |
| | | | | | | |
| **(165)** | **(1,513)** | **(1,678)** | **Balance at 31 March** | **(295)** | **(457)** | **(752)** |

Accumulated Compensated Absences Adjustment Account

The Accumulated Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences 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.

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| **208** | **Balance at 1 April** | **209** |
| (208) | Settlement or cancellation of accrual made at the end of the preceding year | (209) |
| 209 | Amounts accrued at the end of the current year | 154 |
| | | |
| **209** | **Balance at 31 March** | **154** |

## 14 Cash and Cash Equivalents

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

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 9 | Cash held by Officers | 9 |
| 960 | Bank Current Accounts | 1,596 |
| 3,370 | Short Term Deposits | 2,498 |
| | | |
| **4,339** | **Total Cash and Cash Equivalents** | **4,103** |

## 15 Agency Services

The Authority provides a Grass Cutting Service on behalf of Norfolk County Council and the Commonwealth Graves Commission, a Care and Repair Agency on behalf of Fenland and Breckland Councils and Car Parking Management Services on behalf of North Norfolk District Council, Queen Elizabeth Hospital and Norfolk County Council. The Authority also provides CCTV Services on behalf of Breckland District Council. These services are provided at cost plus an allowance for overheads.

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| Charge for Service: | | |
| Grass Cutting Service | 50 | 52 |
| Care and Repair Service | 247 | 255 |
| Car Park Management Services | 623 | 674 |
| CCTV Services | 142 | 144 |
| | **1,062** | **1,125** |

## 16 Joint Arrangements

### Interest in Companies and Other Entities

The Code of Practice requires that Councils consider the need to include group accounts in published Statements. The Council has reviewed its interests in companies and other organisations to determine which are to be included in the Group Accounts for 2017/2018, see pages 134 to 146.

### Joint Arrangements

The Council is a member of three Joint Committees – King's Lynn Housing Development Partnership, Norfolk Museums and Archaeology Service and Freebridge Community Housing Ltd. The Council accounts include all of the Council's revenue transactions, assets and liabilities relating to these Committees.

### The King's Lynn Development Partnership

Under the CIPFA Code the King's Lynn Development Partnership is classified as a joint operation. The Partnership was formed in 2012/2013 with Norfolk County Council. The objective of this partnership is to enable and risk-manage a financially viable housing development in the Nar Ouse Regeneration Area.

The Borough Council of King's Lynn and West Norfolk have contributed land valued at £1 million and Norfolk County Council paid £1 million to satisfy the initial cash flow requirements. Phases 1 and 2 are completed. Phase 3 is underway with construction due to commenced July 2017. This Council is the Accountable body. The income and expenditure for these works is detailed below:

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £ | £ |
| | | |
| **Expenditure** | 4,095,610 | 2,928,890 |
| **Receipts** | (6,097,370) | (2,208,330) |

### Freebridge Community Housing Limited

Freebridge Community Housing Limited (FCHL) – The Council owns 1 share with a value of £1 (33% of all the shares) in FCHL. The Council's interest in FCHL is not as an investor.

### Norfolk Museums and Archaeology Service (NMAS) Joint Committee

Under the CIPFA Code, NMAS is classified as a jointly controlled operation. The Council's museums are run by the Norfolk Museums and Archaeology Service "NMAS" through a Joint Committee. This Joint Committee was established in July 2006, under delegated powers by the County and District Councils in Norfolk. The Service runs museums throughout the County to preserve and interpret material evidence of the past with the aim "bringing history to life".

Norfolk County Council provides the secretary and treasurer to the Joint Committee, employs its staff, and owns a number of properties used by NMAS. They are the lead Authority and are responsible for producing the annual accounts. However, the majority of collections and related buildings in West Norfolk are owned by the Council. The museum collections are reported in the Balance Sheet at a value of £6,292,000 as at the 31 March 2018.

## 17 Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Members' Allowances | **510** | **480** |

## 18 Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

| | 2017/2018 | | | |
|---|---|---|---|---|
| | Salary, Fees and Allowance | Taxable Expenses | Pension Contributions | Total |
| | £ | £ | £ | £ |
| Chief Executive * | 111,287 | 3,982 | 15,535 | 130,804 |
| Executive Director Central & Community Services | 78,640 | 8,009 | 11,218 | 97,867 |
| Executive Director Commercial Services | 66,329 | 10,839 | 10,086 | 87,254 |
| Executive Director Environment & Planning | 83,845 | 3,803 | 11,738 | 99,386 |
| Executive Director Finance Services(Section 151 Officer) | 74,295 | 5,841 | 10,401 | 90,537 |

* Includes remuneration from Election Duties.

There were no bonus payments to report.

The Council's legal monitoring officer requirements are now fulfilled by East Law (part of North Norfolk District Council) as part of a service level agreement. The Council paid East Law £151,293 in 2017/2018 (£111,303 in 2016/2017).

| | 2016/2017 | | | |
|---|---|---|---|---|
| | **Salary, Fees and Allowance** | **Taxable Expenses** | **Pension Contributions** | **Total** |
| | £ | £ | £ | **£** |
| Chief Executive * | 118,497 | 5,617 | 14,359 | **138,473** |
| Executive Director Central & Community Services | 77,703 | 7,105 | 11,000 | **95,808** |
| Executive Director Commercial Services | 64,822 | 9,822 | 9,557 | **84,201** |
| Executive Director Environment & Planning | 81,320 | 3,297 | 11,385 | **96,002** |
| Executive Director Finance Services(Section 151 Officer) | 68,821 | 5,486 | 9,635 | **83,942** |

* Includes remuneration from Election Duties.

The Authority’s other employees (excluding the senior employees shown above) receiving more than £50,000 remuneration for the year (including employer’s pension contributions) were paid the following amounts:

| **Remuneration band** | **2016/2017 Number of Employees** | **2017/2018 Number of Employees** |
|---|---|---|
| **£50,000-£54,999 | 9 | 10 |
| £55,000-£59,999 | 3 | 6 |
| £60,000-£64,999 | 5 | 5 |
| £65,000-£69,999 | 5 | 5 |
| ***£70,000-£74,999 | 1 | 1 |
| £75,000-£79,999 | 1 | 2 |
| £80,000-£84,999 | 0 | 0 |
| £85,000-£89,999 | 0 | 0 |
| *£90,000-£94,999 | 1 | 0 |

*£40,000 termination payment (pension strain) included in this pay band 2016/2017

**£19,000 termination payment (pension strain) included in this pay band 2017/18

*** £34,000 termination payment (pension strain) included in this pay band 2017/18

## 19 Termination Benefits

| Exit package cost band (including special payments) | Number of Compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|
| | 2016/2017 | 2017/2018 | 2016/2017 | 2017/2018 | 2016/2017 | 2017/2018 | 2016/2017 | 2017/2018 |
| | | | | | | | £'000 | £'000 |
| Up to £20,000 | 0 | 3 | 2 | 2 | 2 | 5 | 23 | 72 |
| £20,001-£40,000 | 0 | 1 | 1 | 1 | 1 | 2 | 40 | 57 |
| £40,001-£60,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 47 |
| £60,001-£80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001-£100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001-£150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **4** | **3** | **4** | **3** | **8** | **63** | **176** |

## 20 Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The Authority participates in the Local Government Pension Scheme, administered locally by Norfolk County Council – this is a funded Career average salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension’s liabilities with investment assets.

Discretionary Post-retirement Benefits

Discretionary Post-retirement Benefits on early retirement are an unfunded defined arrangement, under which liabilities are recognise when awards are made. There are no planned assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The costs of retirement benefits are recognised 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 made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## Comprehensive Income and Expenditure Statement

| Local Government Pension Scheme | Discretionary Benefits Arrangements | Total | | Local Government Pension Scheme | Discretionary Benefits Arrangements | Total |
|---|---|---|---|---|---|---|
| 2016/2017 | 2016/2017 | 2016/2017 | | 2017/2018 | 2017/2018 | 2017/2018 |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | | **Service Costs Comprising :** | | | |
| 3,205 | 0 | 3,205 | Current Service Cost | 5,595 | 0 | 5,595 |
| 89 | 0 | 89 | Past Service Costs | 55 | 0 | 55 |
| | | 0 | **Financing and Investment Income and Expenditure:** | | | 0 |
| 1,363 | 109 | 1,472 | Net Interest Expense | 1,327 | 77 | 1,404 |
| **4,657** | **109** | **4,766** | **Total Post- Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services** | **6,977** | **77** | **7,054** |
| | | | | | | |
| | | | **Other Post-Employment Benefit Charged to the CIES:** | | | |
| | | | **Re-measurement of the Net Defined Benefit Liability Comprising:** | | | |
| (14,779) | 0 | (14,779) | Return on Plan Assets (Excluding the amount included in the net interest expense) | (1,827) | 0 | (1,827) |
| (1,460) | 0 | (1,460) | Actuarial (Gains) and Losses arising on the changes in Demographic Assumptions | 0 | 0 | 0 |
| 30,297 | 222 | 30,519 | Actuarial (Gains) and Losses arising on the changes in Financial Assumptions | (3,586) | (76) | (3,662) |
| (3,995) | 0 | (3,995) | Other | (70) | 0 | (70) |
| **14,720** | **331** | **15,051** | **Total Post-Employment Benefit Charged to the CIES** | **1,494** | **1** | **1,495** |

## Movement in Reserves Statement

| Local Government Pension Scheme | Discretionary Benefits Arrangements | Total | | Local Government Pension Scheme | Discretionary Benefits Arrangements | Total |
|---|---|---|---|---|---|---|
| **2016/2017** | **2016/2017** | **2016/2017** | | **2017/2018** | **2017/2018** | **2017/2018** |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| **(4,657)** | **(109)** | **(4,766)** | Reversal of Net Charges made to the Surplus/Deficit for the Provision of Services for Post-Employment Benefits in accordance with the Code. | **(6,977)** | **(77)** | **(7,054)** |
| | | | **Actual amount charged against the General Fund for Pensions in the year** | | | |
| 1,829 | 0 | 1,829 | Employer's Contribution | 6,293 | 0 | 6,293 |
| 0 | 241 | 241 | Discretionary Benefits | 0 | 229 | 229 |
| **1,829** | **241** | **2,070** | **Total amount charged against the General Fund for Pensions in the year** | **6,293** | **229** | **6,522** |

**Pension Assets and Liabilities Recognised in the Balance Sheet**

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

| **Local Government Pension Scheme** | **Discretionary Benefits Arrangements** | **Total** | | **Local Government Pension Scheme** | **Discretionary Benefits Arrangements** | **Total** |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2016/2017** | **2016/2017** | **2016/2017** | | **2017/2018** | **2017/2018** | **2017/2018** |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| (184,867) | (3,212) | (188,079) | Present Value of the Defined Benefits Obligation | (187,532) | (2,984) | (190,516) |
| 133,619 | 0 | 133,619 | Fair Value of Plan Assets | 141,083 | 0 | 141,083 |
| **(51,248)** | **(3,212)** | **(54,460)** | **Net Liability Arising from the Defined Benefit Obligation** | **(46,449)** | **(2,984)** | **(49,433)** |

## Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

| Local Government Pension Scheme | Discretionary Benefits Arrangements | Total | | Local Government Pension Scheme | Discretionary Benefits Arrangements | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2016/2017** | **2016/2017** | **2016/2017** | | **2017/2018** | **2017/2018** | **2017/2018** |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 117,182 | 0 | 117,182 | Opening Fair Value of Scheme Assets | 133,619 | 0 | 133,619 |
| 4,057 | 0 | 4,057 | Interest Income | 3,499 | 0 | 3,499 |
| 14,779 | 0 | 14,779 | Return on Plan Assets (Excluding the amount included in the net interest expense) | 1,827 | 0 | 1,827 |
| 1,829 | 241 | 2,070 | Contributions from Employer | 6,293 | 229 | 6,522 |
| 847 | 0 | 847 | Contributions from Employees into the Scheme | 885 | 0 | 885 |
| (5,075) | (241) | (5,316) | Benefits Paid | (5,040) | (229) | (5,269) |
| **133,619** | **0** | **133,619** | **Closing Fair Value of Scheme Assets** | **141,083** | **0** | **141,083** |

## Reconciliation of the Present Value of Scheme Liabilities (Defined Benefits Obligation)

| **Local Government Pension Scheme** | **Discretionary Benefits Arrangements** | **Total** | | **Local Government Pension Scheme** | **Discretionary Benefits Arrangements** | **Total** |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2016/2017** | **2016/2017** | **2016/2017** | | **2017/2018** | **2017/2018** | **2017/2018** |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| (155,539) | (3,122) | (158,661) | Opening Balance at 1 April | (184,867) | (3,212) | (188,079) |
| (3,205) | 0 | (3,205) | Current Service Cost | (5,595) | 0 | (5,595) |
| (5,420) | (109) | (5,529) | Interest Cost | (4,826) | (77) | (4,903) |
| (847) | 0 | (847) | Contributions from Scheme Participants | (885) | 0 | (885) |
| 1,460 | 0 | 1,460 | Actuarial (Gains) and Losses Arising on the Changes in Demographic Assumptions | 0 | 0 | 0 |
| (30,297) | (222) | (30,519) | Actuarial (Gains) and Losses Arising on the Changes in Financial Assumptions | 3,586 | 76 | 3,662 |
| 3,995 | 0 | 3,995 | Other | 70 | 0 | 70 |
| (89) | 0 | (89) | Past Service Cost | (55) | 0 | (55) |
| 5,075 | 241 | 5,316 | Benefits Paid | 5,040 | 229 | 5,269 |
| **(184,867)** | **(3,212)** | **(188,079)** | **Closing Balance as at 31 March** | **(187,532)** | **(2,984)** | **(190,516)** |

## Local Government Pension Scheme Assets Comprised:

| | Period Ended 31 March 2017 | | | | Period Ended 31 March 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Asset Category** | **Quoted Prices in active markets** | **Quoted prices not in active markets** | **Total** | **Percentage of Total Assets** | **Quoted Prices in active markets** | **Quoted prices not in active markets** | **Total** | **Percentage of Total Assets** |
| | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| **Equity Securities:** | | | | | | | | |
| Consumer | 9,951 | 0 | 9,951 | 7% | 9,276 | 0 | 9,276 | 7% |
| Manufacturing | 7,765 | 0 | 7,765 | 6% | 7,911 | 0 | 7,911 | 6% |
| Energy and Utilities | 3,712 | 0 | 3,712 | 3% | 2,517 | 0 | 2,517 | 2% |
| Financial Institutions | 8,588 | 0 | 8,588 | 6% | 7,871 | 0 | 7,871 | 6% |
| Health and Care | 4,040 | 0 | 4,040 | 3% | 2,585 | 0 | 2,585 | 2% |
| Information Technology | 3,819 | 0 | 3,819 | 3% | 4,424 | 0 | 4,424 | 3% |
| Other | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| | | | | | | | | |
| **Debt Securities:** | | | | | | | | |
| Corporate Bonds (investment grade) | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Corporate Bonds (Non-investment grade) | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| UK Government | 0 | 0 | 0 | 0% | 2,124 | 0 | 2,124 | 2% |
| Other | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| | | | | | | | | |
| **Private Equity:** | | | | | | | | |
| All | 0 | 8,351 | 8,351 | 6% | 0 | 7,794 | 7,794 | 6% |
| | | | | | | | | |
| **Real Estate:** | | | | | | | | |
| UK Property | 0 | 12,472 | 12,472 | 9% | 0 | 12,376 | 12,376 | 9% |
| Overseas Property | 0 | 2,086 | 2,086 | 2% | 0 | 2,029 | 2,029 | 1% |
| | | | 0 | | | | | |
| | 37875 | 22909 | 60,784 | 45% | 36,708 | 22,199 | 58,908 | 44% |

Cont.

| | Period Ended 31 March 2017 | | | | Period Ended 31 March 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Asset Category** | **Quoted Prices in active markets** | **Quoted prices not in active markets** | **Total** | **Percentage of Total Assets** | **Quoted Prices in active markets** | **Quoted prices not in active markets** | **Total** | **Percentage of Total Assets** |
| | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| | | | | | | | | |
| **Investment Funds and Unit Trusts:** | | | | | | | | |
| Equities | 35,489 | 0 | 35,489 | 27% | 37,771 | 0 | 37,771 | 27% |
| Bonds | 33,773 | 0 | 33,773 | 25% | 39,039 | 0 | 39,039 | 28% |
| Hedge Funds | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Commodities | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Infrastructure | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Other | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| | | | | | | | | |
| **Derivatives:** | | | | | | | | |
| Inflation | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Interest Rate | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| Foreign Exchange | (277) | 0 | -277 | 0% | 215 | 0 | 215 | 0% |
| Other | 0 | 0 | 0 | 0% | (107) | 0 | (107) | 0% |
| | | | | | | | | |
| **Cash and Cash Equivalents:** | | | | | | | | |
| All | 0 | 3,849 | 3,849 | 3% | 0 | 5,257 | 5,257 | 4% |
| | | | | | | | | |
| **Totals** | **106,861** | **26,758** | **133,619** | **100%** | **113,626** | **27,457** | **141,083** | **100%** |

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the "Projected until credit" method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2018.

The principal assumptions used by the actuary have been:

| | Local Government Pension Scheme | |
|---|---|---|
| | **2016/2017** | **2017/2018** |
| **Mortality Assumptions:** | | |
| | | |
| Longevity at 65 for Current Pensioners: | | |
| Men | 22.1yrs | 22.1yrs |
| Women | 24.4yrs | 24.4yrs |
| Longevity at 65 for Future Pensioners: | | |
| Men | 24.1yrs | 24.1yrs |
| Women | 26.4yrs | 26.4yrs |
| Rate of increase in Salaries | 2.7% | 2.7% |
| Rate of increase in Pensions | 2.4% | 2.4% |
| Rate for discounting Scheme liabilities | 2.6% | 2.7% |

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to Her Majesty's Revenue and Customs (HMRC) limits for pre-April 2008 service and 75% of the maximum post-April 2008 service.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the Scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the Defined Obligation in the Scheme**

| | Approximate % Increase to Employer Liability | Approximate Monetary Increase to Employer Liability (£000) |
|---|---|---|
| Real Discount Rate Decrease by 0.5% | 10% | 19,120 |
| 0.5% Increase in Salary Increase Rate | 2% | 3,104 |
| 0.5% Increase in the Pension Increase Rate | 8% | 15,740 |

<u>Scheme History</u>

| | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Obligations: | | | | | |
| Present Value of Defined Benefit | (146,214) | (171,313) | (158,661) | (188,079) | (190,516) |
| Fair Value of Assets in the Local Government Pensions Scheme | 101,793 | 116,640 | 117,182 | 133,619 | 141,083 |
| | | | | | |
| **Deficit in the Scheme** | **(44,421)** | **(54,673)** | **(41,479)** | **(54,460)** | **(49,433)** |

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £190,516,000 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, which after abatement for the fair value of assets of £50,691,000, resulting in a negative overall balance of £139,825,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by the Council paying increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

## 21 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Authority's external auditors.

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Fees payable with regard to External Audit Services carried out by the appointed auditor for the year. | 51 | 51 |
| Additional and other Audit fees charged during the year. | 5 | 0 |
| Fees payable to the appointed auditor for the certification of grant claims and returns for the year | 24 | 24 |
| **Total** | **80** | **75** |

## 22 Related Parties

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

<u>Members/Head of Service</u>

Members of the Authority have direct control over the Council's financial and operating policies. The total of Members' allowance paid in 2017/2018 is shown in note 17. During 2017/2018, works and services to the value of £354,232 (£206,178 in 2016/2017) were commissioned from companies in which 14 Members (14 Members in 2016/2017) had an interest. Contracts were entered into in full compliance with the Authority's standing orders. In addition, grants totalling £522,764 (£195,545 in 2016/2017) were made to organisations in which 15 Members and 1 officer had an interest (16 Members in 2016/2017). In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members interests, which are published on the Authority's website.

Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Capital and Revenue Grants received from government departments are set out in the subjective analysis in note 35, on amounts reported to decision makers. Receivables and Payables in respect of Government departments are shown in note 30 and note 32. Any transactions between the Council and Norfolk Pensions are detailed in note 20.

Freebridge Community Housing Limited

In 2006 the Council transferred its housing stock to Freebridge Community Housing. As part of the agreement the Council has 3 Members on the board of Freebridge Community Housing and owns 33% of the share in the organisation, value £1. During 2017/2018 the transactions between the Council and Freebridge Community Housing was expenditure of £247,269 (£72,232 in 2016/2017) and income of £770,636 (£1,606,875 in 2016/2017).

Alive Management Limited

Alive Management Limited was set up by the Council and incorporated on 9 October 2013. On 1 September 2014 the Company came into operation and the current year's transactions are detailed in the Group Accounts pages 130 to 142.

Alive Leisure Trust

From September 2014 the Trust commenced trading. There is 1 Member on the Board of Trustees. During 2017/2018 the transactions between the Council and Alive Leisure Trust was expenditure of £5,228 and income of £214,455.

Norfolk and Waveney Enterprise Services (NWES)

During 2013/2014 the Council loaned NWES £500,000 towards the construction of the new Kings Lynn Enterprise and Innovation Centre. In 2014/2015 an additional loan of £274,275 was given in respect of further construction works. A further loan of £1,725,725 was given in 2015/2016 and £250,000 in 2016/2017. The total loan given is £2,750,000.

West Norfolk Housing Company Ltd

West Norfolk Housing Company Ltd was set up by the Council and incorporated on 12th September 2016. There have been no financial transactions in 2017/2018.

## 23 Leases

Authority as Lessee

**Finance Leases**

The Authority has acquired a number of buildings under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 31/03/2017 | 31/03/2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Other Land and Buildings | **3,082** | **3,045** |

The Authority is committed to making minimum payments under these leases comprising settlement of the Long Term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 31 March 2017 | 31 March 2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Finance Lease Liabilities (Net present value of minimum lease payments): | | |
| Current | 1 | 1 |
| Non- Current | 157 | 155 |
| Finance Costs payable in future years | 248 | 241 |
| **Minimum Lease payments** | **406** | **397** |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31/03/2017 | 31/03/2018 | 31/03/2017 | 31/03/2018 |
| | £'000 | £'000 | £'000 | £'000 |
| | | | | |
| Not later than one year | 9 | 9 | 1 | 1 |
| Later than one year and not later than five years | 34 | 34 | 6 | 7 |
| Later than five years | 363 | 354 | 149 | 147 |
| | **406** | **397** | **156** | **155** |

The Authority has sub-let some of the accommodation held under these finance leases. At 31 March 2018 the minimum payments expected to be received under non-cancellable sub-leases was £190,462 (£224,208 at 31 March 2017).

The Authority has acquired printer equipment under finance leases.

The equipment acquired under these leases is included in Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 31/03/2017 | 31/03/2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Equipment Gross Value | 91 | 82 |
| Depreciation | (47) | (11) |
| Net Value | **44** | **71** |

| | 31/03/2017 | 31/03/2018 |
|---|---|---|
| | £'000 | £'000 |
| Finance Lease Liabilities (Net present value of minimum lease payments): | | |
| Current | 14 | 16 |
| Non-current | 39 | 61 |
| | **53** | **77** |

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31/03/2017 | 31/03/2018 | 31/03/2017 | 31/03/2018 |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 15 | 17 | 14 | 16 |
| Later than one year and not later than five years | 44 | 64 | 39 | 61 |
| | **59** | **81** | **53** | **77** |

**Operating Leases**

The Authority has operating lease agreements for the provision of land and buildings. The future minimum lease payments due under non-cancellable leases in future years are shown in the table below.

| | Operating Lease Payments | |
|---|---|---|
| | 31/03/2017 | 31/03/2018 |
| | £'000 | £'000 |
| Not later than one year | 92 | 87 |
| Later than one year and not later than five years | 350 | 345 |
| Later than five years | 4,521 | 4,438 |
| | **4,963** | **4,870** |

The expenditure charged to the Corporate and Democratic Core, Cultural and Related Services, Highways and Transport Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| | Minimum Lease Payments | |
|---|---|---|
| | 31/03/2017 | 31/03/2018 |
| | £'000 | £'000 |
| Corporate and Democratic Services | 1 | 1 |
| Cultural and Related Services | 10 | 10 |
| Highways and Transport Services | 97 | 92 |
| | **108** | **103** |

## Operating Leases

The Authority leases out property and equipment under leases for the following purposes:

- For economic development purposes to provide suitable affordable accommodation for local businesses including shops, industrial units, kiosks, caravan parks and offices;
- Beach huts for private use; and
- Buildings used as Community facilities and used by voluntary groups including community centres, museums and storage space.
- Leisure facilities to Alive Leisure Trust to fulfil contractual obligations with the Council. See Note 23 for more details.

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

| | 31/03/2017 | 31/03/2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Not later than one year | 1,597 | 1,842 |
| Later than one year and not later than five years | 4,472 | 4,811 |
| Later than five years | 30,487 | 43,193 |
| | **36,556** | **49,846** |

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. In 2017/2018 £nil contingent rents were receivable by the Council.

## 24 Investment Property

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

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Rental Income from Investment Property | (1,703) | (1,718) |
| Direct Operating Expenses Arising from Investment Property | 229 | 279 |
| | | |
| **Direct cost of Investment Properties** | (1,474) | (1,439) |
| | | |
| Other Net Operating Costs | (225) | 575 |
| | | |
| **Net (Gain)** | **(1,699)** | **(864)** |

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

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| **Balance at Start of the Year** | **24,225** | **24,349** |
| | | |
| Net Gains / (Losses) on Revaluation | 394 | 51 |
| Write Out of Impairments on Revaluations | 281 | 3 |
| Net Gains / (Losses) from Movements in the Market Value of Investment Properties | 675 | 54 |
| | | |
| Additions | 345 | 396 |
| Impairment | (3) | 0 |
| Disposals | (893) | (1) |
| Derecognition | 0 | (161) |
| Reclassifications | 0 | (55) |
| | | |
| **Balance at Year End** | **24,349** | **24,582** |

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

**Fair Value Hierarchy**

Details of the Council's investment property and information about the fair value hierarchy are as follows:

| | Quoted Prices in active markets for identical assets (level 1) | Other significant observable inputs (level 2) | Significant un-observable inputs (level 3) | Fair Value as at 31/03/2018 |
|---|---|---|---|---|
| 2017/2018 | £'000 | £'000 | £'000 | £'000 |
| Recurring Fair Value Measurements Industrial Units | 0 | 17,648 | 0 | **17,487** |
| Commercial Units | 0 | 6,125 | 0 | **6,125** |
| Land | 0 | 309 | 0 | **309** |
| Other | 0 | 661 | 0 | **661** |
| **Total** | **0** | **24,743** | **0** | **24,582** |

| | Quoted Prices in active markets for identical assets (level 1) | Other significant observable inputs (level 2) | Significant un-observable inputs (level 3) | Fair Value as at 31/03/2017 |
|---|---|---|---|---|
| 2016/2017 | £'000 | £'000 | £'000 | £'000 |
| Recurring Fair Value Measurements Industrial Units | 0 | 17,454 | 0 | **17,454** |
| Commercial Units | 0 | 6,030 | 0 | **6,030** |
| Land | 0 | 292 | 0 | **292** |
| Other | 0 | 573 | 0 | **573** |
| **Total** | **0** | **24,349** | **0** | **24,349** |

There were no transfers between levels 1 and 2 during 2017-2018.

**Valuation Techniques Used to Determine Fair Values for Investment Property**

**Significant Observable Inputs – level2**

The fair value for the residential properties (at market rents) has been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are;

- **Highest and Best Use of Investment Property**

  In estimating the fair value of the Council's investment property, the highest and best use of the assets is their current use.

- **Valuation Process for Investment Property**

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

## 25 Intangible Assets

The Authority accounts for its purchased licences software as intangible assets, to the extent that the software is not an integral part of a particular Information Communications and Technology (ICT) system and accounted for as part of the hardware item or Property, Plant and Equipment. The Authority also includes Housing Nomination Rights, which has been assigned following capital investment in a number of affordable housing projects.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites and Housing Nomination Rights used by the Authority are:

| Up to | Other Assets |
|---|---|
| 7 Years | Software Licences |
| 40 Years | Housing Nomination Rights |

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £144,850 charged to revenue in 2017/2018 for software was charged to ICT Administration and then absorbed as an overhead across the entire service heading in Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The amortisation of £6,390 charged to revenue for 2017/2018 for Housing Nomination Rights was charged to the Housing General fund in Net Cost of Services. The Authority holds intangible assets at historical costs. The movement on Intangible asset balances during the year is as follows:

| | 2016/2017 | | | 2017/2018 | | |
|---|---|---|---|---|---|---|
| | **Software Licenses** | **Housing Nomination Rights** | **Total** | **Software Licenses** | **Housing Nomination Rights** | **Total** |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balances at start of the year** | | | | | | |
| Gross Carrying Amount | 1,369 | 303 | 1,672 | 1,478 | 303 | 1,781 |
| Accumulated Impairment | (48) | 0 | (48) | (51) | 0 | (51) |
| Accumulated Amortisation | (834) | (182) | (1,016) | (1,030) | (188) | (1,218) |
| **Net Carrying Amount at Start of Year** | **487** | **121** | **608** | **397** | **115** | **512** |
| | | | | | | |
| **Restated Net Carrying at Start of the Year** | **487** | **121** | **608** | **397** | **115** | **512** |
| | | | | | | |
| Additions: | | | | | | |
| Purchases | 110 | 0 | 110 | 19 | 0 | 19 |
| Impairment Losses Recognised in the Surplus on the Provision of Services | (4) | 0 | (4) | 0 | 0 | 0 |
| Amortisation for the Period | (196) | (6) | (202) | (145) | (6) | (151) |
| **Net Carrying Amount at End of Year** | **397** | **115** | **512** | **271** | **109** | **380** |
| | | | | | | |
| Comprising: | | | | | | |
| Gross Carrying Amounts | 1,478 | 303 | 1,781 | 1,497 | 303 | 1,800 |
| Accumulated Impairment | (51) | 0 | (51) | (51) | 0 | (51) |
| Accumulated Amortisation | (1,030) | (188) | (1,218) | (1,175) | (194) | (1,369) |
| | **397** | **115** | **512** | **271** | **109** | **380** |

*Purchases of £243,000 added to Housing Nomination Rights instead of Software licences in 2014/2015

## 26 Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Authority:

| Net Book Value | Public Art Collections | Civic Regalia | Museum Collections | Historic Buildings | Archives | Total |
|---|---|---|---|---|---|---|
| **At 31 March 2018** | **237** | **6,580** | **6,292** | **0** | **4,845** | **17,954** |
| **At 31 March 2017** | 237 | 6,580 | 6,292 | 0 | 4,845 | **17,954** |
| **At 31 March 2016** | 237 | 6,580 | 6,292 | 0 | 4,845 | **17,954** |
| **At 31 March 2015** | 237 | 6,580 | 6,292 | 0 | 4,845 | **17,954** |
| **At 31 March 2014** | 237 | 6,580 | 6,292 | 0 | 4,845 | **17,954** |

Further information on Heritage Assets can be found in the accounting policies on page 121.

| 2017/2018 | | | | | | |
|---|---|---|---|---|---|---|
| | **Public Art Collections** | **Civic Regalia** | **Museum Collections** | **Historic Buildings** | **Archives** | **Total** |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost or Valuation** | | | | | | |
| Balance at start of year | 237 | 6,580 | 6,292 | 33 | 4,845 | **17,987** |
| Additions | 0 | 0 | 0 | 6 | 0 | **6** |
| | **237** | **6,580** | **6,292** | **39** | **4,845** | **17,993** |
| | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | |
| Balance at start of year | 0 | 0 | 0 | 33 | 0 | **33** |
| Impairments recognised to CIES | 0 | 0 | 0 | 6 | 0 | **6** |
| **Balance at end of year** | **0** | **0** | **0** | **39** | **0** | **39** |
| | | | | | | |
| **NBV AS AT 31 MARCH 2018** | **237** | **6,580** | **6,292** | **0** | **4,845** | **17,954** |

| 2016/2017 | | | | | | |
|---|---|---|---|---|---|---|
| | **Public Art Collections** | **Civic Regalia** | **Museum Collections** | **Historic Buildings** | **Archives** | **Total** |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost or Valuation** | | | | | | |
| Balance at start of year | 237 | 6,580 | 6,292 | 0 | 4,845 | **17,954** |
| Additions | 0 | 0 | 0 | 33 | 0 | **33** |
| | **237** | **6,580** | **6,292** | **33** | **4,845** | **17,987** |
| | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | |
| Balance at start of year | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments recognised to CIES | 0 | 0 | 0 | 33 | 0 | **33** |
| **Balance at end of year** | **237** | **6,580** | **6,292** | **0** | **4,845** | **17,954** |

## 27 Property, Plant and Equipment

Movements on Balances

| Movements in 2017/2018 | Other Land and Buildings | Vehicles, Plant and Equipment | Infrastructure Assets | Community Assets | Assets under Construction | Total Property, Plant and Equipment |
|---|---|---|---|---|---|---|
| | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost Valuation:** | | | | | | |
| **At 1 April 2017** | 122,957 | 18,530 | 1,203 | 646 | 15,168 | **158,504** |
| Adjustments to opening balance | 11 | 0 | 0 | 1 | 0 | **12** |
| Additions | 1,622 | 1,251 | 0 | 489 | 14,974 | **18,336** |
| Revaluation Increases/Decreases to Revaluation Reserve | 840 | 0 | 0 | (1,141) | 0 | **(301)** |
| Revaluation Decreases to Surplus/Deficit | (21) | 0 | 0 | (223) | (2,906) | **(3,150)** |
| Revalued Assets- no net increase (impairment reversals) | 0 | 0 | 0 | 0 | 0 | 0 |
| Revalued Assets- depreciation reversals | 0 | 0 | 0 | 0 | 0 | **0** |
| Revalued Assets - Reversal of Loss | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition - Disposals | (123) | (10) | 0 | 0 | (2,270) | **(2,403)** |
| Derecognition - Other | (434) | 0 | 0 | 0 | (1,170) | **(1,604)** |
| Derecognition - Other-Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassification and Transfers | (6,565) | (180) | 191 | 1,385 | 4,174 | **(995)** |
| **Balance as at 31 March 2018** | **118,287** | **19,591** | **1,394** | **1,157** | **27,970** | **168,399** |

| Movements in 2017/2018 | Other Land and Buildings | Vehicles, Plant and Equipment | Infrastructure Assets | Community Assets | Assets under Construction | Total Property, Plant and Equipment |
|---|---|---|---|---|---|---|
| | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Accumulated Depreciation and Impairment:** | | | | | | |
| **At 1 April 2017** | 6,711 | 14,282 | 78 | 588 | 1,233 | **22,892** |
| Adjustment to opening balance | (24) | 0 | 0 | 0 | 0 | **(24)** |
| Depreciation Charge | 2,161 | 844 | 46 | 0 | 0 | **3,051** |
| Depreciation written out to the Revaluation Reserve | (1,058) | 0 | 0 | 0 | 0 | **(1,058)** |
| Depreciation written out to the Surplus/Deficit on the CIES | (24) | 0 | 0 | 0 | (37) | **(61)** |
| Impairment losses recognised in the Revaluation Reserve | 136 | 0 | 0 | 0 | 0 | **136** |
| Impairment reversals on revaluation | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment reversals from revaluation increases recognised in the CIES | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment losses recognised in the CIES | 540 | 0 | 0 | 489 | 995 | **2,024** |
| Derecognition - disposals | (16) | (10) | 0 | 0 | 0 | **(26)** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassification and Transfers | (10) | (50) | 60 | 0 | 0 | **0** |
| | | | | | | |
| **Total Cost or Valuation at 31 March 2018** | **8,416** | **15,066** | **184** | **1,077** | **2,191** | **26,934** |
| | | | | | | |
| **Net Book Value:** | | | | | | |
| **At 31 March 2017** | **116,246** | **4,248** | **1,125** | **58** | **13,935** | **135,612** |
| **At 31 March 2018** | **109,871** | **4,524** | **1,209** | **81** | **25,780** | **141,465** |

| Movements in 2016/2017 | Other Land and Buildings | Vehicles, Plant and Equipment | Infrastructure Assets | Community Assets | Assets under Construction | Total Property, Plant and Equipment |
|---|---|---|---|---|---|---|
| | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost Valuation:** | | | | | | |
| **At 1 April 2016** | 123,350 | 17,677 | 1,201 | 216 | 5,585 | **148,029** |
| Additions | 2,952 | 968 | 0 | 544 | 12,696 | **17,160** |
| Revaluation Increases/Decreases to Revaluation Reserve | 365 | 0 | 2 | 0 | 0 | **367** |
| Revaluation Decreases to Surplus/Deficit | (1,782) | 0 | 0 | (114) | 0 | **(1,896)** |
| Derecognition - Disposals | (3,542) | (115) | 0 | 0 | 0 | **(3,657)** |
| Reclassification and Transfers | 1,614 | 0 | 0 | 0 | (3,113) | **(1,499)** |
| **Balance as at 31 March 2017** | **122,957** | **18,530** | **1,203** | **646** | **15,168** | **158,504** |

| Movements in 2016/2017 | Other Land and Buildings | Vehicles, Plant and Equipment | Infrastructure Assets | Community Assets | Assets under Construction | Total Property, Plant and Equipment |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Accumulated Depreciation and Impairment:** | | | | | | |
| **At 1 April 2016** | 5,028 | 13,376 | 41 | 57 | 729 | **19,231** |
| Depreciation Charge | 2,143 | 979 | 40 | 0 | 0 | **3,162** |
| Depreciation written out to the Revaluation Reserve | (115) | 0 | (3) | 0 | 0 | **(118)** |
| Depreciation written out to the Surplus/Deficit on the CIES | (20) | 0 | 0 | 0 | 0 | **(20)** |
| Impairment losses recognised in the Revaluation Reserve | 439 | 0 | 0 | 0 | 0 | **439** |
| Impairment reversals from revaluation increases recognised in the CIES | (1,265) | 0 | 0 | (13) | 0 | **(1,278)** |
| Impairment losses recognised in the CIES | 468 | 42 | 0 | 544 | 504 | **1,558** |
| Derecognition - disposals | 0 | (115) | 0 | 0 | 0 | **(115)** |
| Derecognition - Other | 33 | 0 | 0 | 0 | 0 | **33** |
| | | | | | | |
| **Total Cost or Valuation at 31 March 2017** | **6,711** | **14,282** | **78** | **588** | **1,233** | **22,892** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Net Book Value:** | | | | | | |
| **At 31 March 2016** | **118,322** | **4,301** | **1,160** | **159** | **4,856** | **128,798** |
| **At 31 March 2017** | **116,246** | **4,248** | **1,125** | **58** | **13,935** | **135,612** |

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment, including ICT equipment, are based on historic cost. Greater detail regarding dates and valuations is provided in the Statement of Accounting Policies on page 110.

For valuation purposes, property assets fall into one of the following groups:

- Property, plant and equipment which includes infrastructure, community assets and assets under construction;
- Lease and lease type arrangements;
- Investment Property – property that is used solely to earn rentals, or for capital appreciation, or both; and
- Assets held for sale.

| | Other land and buildings | Vehicle, plant & equipment | Infrastructure assets | Community assets | Assets Under Construction | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | |
| **Carried at historical cost** | 430 | 4,524 | 1,209 | 81 | 25,781 | **32,025** |
| **Valued at fair value as at:** | | | 0 | | | |
| 31 March 2018 | 21,394 | 0 | 0 | 0 | 0 | **21,394** |
| 31 March 2017 | 3,824 | 0 | 0 | 0 | 0 | **3,824** |
| 31 March 2016 | 15,171 | 0 | 0 | 0 | 0 | **15,171** |
| 31 March 2015 | 55,980 | 0 | 0 | 0 | 0 | **55,980** |
| 31 March 2014 | 13,072 | 0 | 0 | 0 | 0 | **13,072** |
| | | | | | | |
| **Gross Book Value** | **109,871** | **4,524** | **1,209** | **81** | **25,781** | **141,466** |

## 28 Capital: Expenditure, Financing and Commitments

Capital Expenditure and Financing

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

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| **Opening Capital Financing Requirement** | **17,987** | **27,531** |
| **Capital Investment:** | | |
| Property, plant and equipment | 17,160 | 18,335 |
| Investment Properties | 345 | 396 |
| Intangible assets | 110 | 20 |
| Heritage Assets | 33 | 6 |
| Revenue expenditure funded from Capital under Statute (Net) | 688 | 1,242 |
| **Sources of Finance:** | | |
| Capital Receipts | (3,048) | (3,374) |
| Government grants and other contributions | (1,955) | (1,475) |
| Sums set aside from revenue: | | |
| - Direct revenue contributions | (2,544) | (2,106) |
| - Revenue contributions for prudential borrowing schemes | (925) | (946) |
| - MRP | (320) | (294) |
| **Closing Capital Financing Requirement** | **27,531** | **39,335** |
| **Explanation of movements in year:** | | |
| Increase in underlying need to borrowing (unsupported by Government Financial Assistance) | 9,545 | 11,803 |
| **Increase/(Decrease) in Capital Financing Requirement** | **9,545** | **11,803** |

Capital Commitments

At 31 March 2018 the Authority has entered into a number of contracts and the major commitments are:

| | Commitment Contractural | Commitment Non-Contractural |
|---|---|---|
| | 31 March 2018 | 31 March 2018 |
| | £'000 | £'000 |
| Architectural Services | 291 | 0 |
| Careline | 80 | 18 |
| Conservation & Heritage | 0 | 11 |
| Energy Efficiency | 70 | 0 |
| Leisure & Arts | 0 | 9 |
| Major Housing Development | 40,093 | 0 |
| NORA Housing Development | 6,778 | 0 |
| Offices | 0 | 37 |
| Other Construction/Works Contracts | 4,025 | 800 |
| Private Sector Housing | 0 | 183 |
| Refuse & Recycling | 0 | 31 |
| Vehicle Replacement | 0 | 104 |
| **Total** | **51,337** | **1,193** |

## 29 Assets Held for Sale

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| **Balance at Start of the Year** | **1,091** | **2,339** |
| Assets newly classified as Held for Sale | 1,499 | 955 |
| Assets sold | (251) | (1,270) |
| **Balance at End of Year** | **2,339** | **2,024** |

## 30 Short Term Receivables

| | 31 March 2017 | 31 March 2018 |
|---|---|---|
| | £'000 | £'000 |
| Central Government bodies | 1,844 | 1,263 |
| Local Authorities | 1,337 | 963 |
| NHS Bodies | 120 | 148 |
| Public Corporation and Trading Funds | 0 | 18 |
| Other entities and individuals | 6,306 | 10,667 |
| **Sub Total** | **9,607** | **13,059** |
| Allowance for doubtful debt (other entities and individuals) | (1,997) | (2,140) |
| **Total** | **7,610** | **10,919** |

## 31 Long Term Receivables

| | 31 March 2017 | 31 March 2018 |
|---|---|---|
| | £'000 | £'000 |
| Other entities and individuals | 4,561 | 1,614 |
| Finance Lease | 138 | 137 |
| **Sub Total** | **4,699** | **1,751** |
| Allowance for doubtful debt (other entities and individuals) | (26) | (26) |
| **Total** | **4,673** | **1,725** |

## 32 Short Term Payables

| | 31 March 2017 | 31 March 2018 |
|---|---|---|
| | £'000 | £'000 |
| Central Government bodies | (4,627) | (4,266) |
| Local Authorities | (3,948) | (3,617) |
| NHS Bodies | (26) | (18) |
| Other entities and individuals | (5,589) | (5,986) |
| **Total** | **(14,190)** | **(13,887)** |

## 33 Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed, only by the occurrence of one or more uncertain future events that are not wholly within the Council's control.

At 31 March 2018, the Authority had one material contingent liability:

During January and February 2016, NHS Trusts wrote to local authorities countrywide claiming charitable status and requesting mandatory relief from business rates under s.43(5) and (6) of the Local Government Act 1988, the request being backdated to 2010. If granted this would lead to a backdated payment by Borough Council of King's Lynn and West Norfolk and ongoing reduced business rates going forward as well as impacting the Norfolk business rates pool.

Counsel advice obtained on behalf of the NHS Trusts is that they are charities. The LGA (the representative body for Local Authorities) has sought legal advice from Counsel, on the affected council's behalf, on the applications for mandatory relief from business rates, issued on behalf of NHS trusts. Counsel advice to the LGA is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded.

## 34 Provisions

| | Business Rates Appeals Provision | |
|---|---|---|
| | | |
| | 2016/2017 | 2017/2018 |
| **Balance at the 1 April** | **2,833** | **1,676** |
| | | |
| Additional provisions made in year | 0 | 355 |
| Provision unwound in year | (1,157) | 0 |
| **Balance at the 31 March** | **1,676** | **2,031** |

The total provision applied for NNDR based on appeals lodged as at 31 March 2018 is £5.1 m (£4.2m 31 March 2017). The above table reflects the Council's 40% share of the provision at the value of £2.0m (£1.7m 2016/2017).

## 35 Grant Income

The Authority applied the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/2018:

| 2016/2017 | | 2017/2018 |
|---|---|---|
| Grant Applied £'000 | | Grant Applied £'000 |
| | **Taxation and Specific Government Grant Income:** | |
| (2,770) | Revenue support grant | (1,858) |
| (3,275) | New Homes Bonus | (2,423) |
| (460) | Rural Services Delivery Grant | (371) |
| **(6,505)** | **Total** | **(4,652)** |
| | **Other Revenue Grant Income:** | |
| (221) | Business Rates cost of collection -MHCLG | (233) |
| (38,974) | Department for Works and Pensions - Housing Benefit Unit | (36,844) |
| (202) | DWP - Discretionary Housing Payments | (299) |
| (72) | Developer Contributions | (72) |
| (1,248) | Disabled Facilities -Better Care Fund | (1,475) |
| (42) | Homelessness Prevention - MHCLG | (37) |
| (188) | Local Council Tax Support Administration - MHCLG | (178) |
| (197) | Policy and Partnerships - NCC | (75) |
| (26) | Neighbourhood Planning Grant -MHCLG | (30) |
| (957) | Section 31 Small Business Relief Grant | (1,528) |
| (207) | West Norfolk Insulation Scheme -NCC | 0 |
| (117) | Youth Advisory Board - NCC | 0 |
| 0 | Heritage Lottery Fund | (94) |
| (309) | Other Grants | (324) |
| **(49,265)** | **Total** | **(45,841)** |

Grant Income Table continued (Capital):

| 2016/2017 | | 2017/2018 |
|---|---|---|
| | | |
| Grant Applied | | Grant Applied |
| £'000 | | £'000 |
| | **Credited to Services (Capital):** | |
| | | |
| | **Grants:** | |
| (310) | Heritage Lottery Fund | (973) |
| (251) | Norfolk County Council | 0 |
| | | |
| | **Contributions** | |
| (148) | Sport England Funding | 0 |
| (180) | Pelicans Go Plastic Ltd | 0 |
| (1,000) | Local Enterprise Partnership | 0 |
| (99) | Norfolk Lawn Tennis Association | 0 |
| (26) | Other | (86) |
| | | |
| **(2,014)** | **Total** | **(1,059)** |

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

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| | | |
| £'000 | | £'000 |
| | **Grants Receipts in Advance:** | |
| | | |
| | **Capital Grants / Contributions** | |
| | | |
| (11) | NORA, Hardings Pits | (11) |
| (293) | Section 106 Agreements | (79) |
| | | |
| | | |
| **(304)** | **Total Unapplied Grants with conditions** | **(90)** |

## 36 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

| | Long Term | | Short Term | |
|---|---|---|---|---|
| | 31/03/2017 £'000 | 31/03/2018 £'000 | 31/03/2017 £'000 | 31/03/2018 £'000 |
| **Investments** | | | | |
| Loans and receivables | 3,059 | 4,044 | 18,700 | 9,090 |
| **Cash and Cash Equivalents** | | | | |
| Loans and receivables | 0 | 0 | 4,339 | 3,382 |
| **Receivables** | | | | |
| Loans and receivables | 4,673 | 1,863 | 5,982 | 7,621 |
| **Total Assets** | **7,732** | **5,907** | **29,021** | **20,093** |
| **Borrowings** | | | | |
| Financial Liabilities at Amortised cost | 13,000 | 10,300 | 230 | 3,769 |
| **Payables** | | | | |
| Financial Liabilities at Amortised cost | 304 | 90 | 8,655 | 7,044 |
| **Total Liabilities** | **13,304** | **10,390** | **8,885** | **10,813** |

Total ‘Receivables’ and ‘Payables’ included within the Financial Instruments note are different to the figure shown in the balance sheet as, under the Code, amounts relating to such things as statutory debts and deferred or advanced income are outside the scope of the accounting provisions. These figures also exclude financial lease (long term) liabilities as these are included within the notes relating to leases.

Income, Expense, Gains and Losses

| | 2016/2017 | | | 2017/2018 | | |
|---|---|---|---|---|---|---|
| | **Financial Liabilities** | **Financial Assets** | | **Financial Liabilities** | **Financial Assets** | |
| | **Liabilities Measured at Amortised Cost** | **Loans and Receivables** | **Total** | **Liabilities Measured at Amortised Cost** | **Loans and Receivables** | **Total** |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Interest Expense | 468 | 0 | **468** | 455 | 0 | **455** |
| Fee Expense | 10 | 0 | **10** | 9 | 0 | **9** |
| **Total Expense in (surplus)/deficit on the provision of services** | **478** | **0** | **478** | **464** | **0** | **464** |
| Interest Income | 0 | (428) | **(428)** | 0 | (292) | **(292)** |
| **Total Income in (surplus)/deficit on the provision of services** | **0** | **(428)** | **(428)** | **0** | **(292)** | **(292)** |
| **Net/(Gain)/Loss for the year** | **478** | **(428)** | **50** | **464** | **(292)** | **172** |

Fair Values of Assets and Liabilities

Financial Liabilities, Financial Assets (represented by loans and receivables) and Long Term Receivables and Payables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2018 of 2.9% for loans from the PWLB and 0% to 3.81% for other loans receivable and payable based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoices or billed amount.

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

- Level 0 – carrying value of assets held at amortised cost, therefore considered to be a close approximation of fair value
- 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.

The fair values calculated are as follows:

| | 31 March 2017 | | 31 March 2018 | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** | **Fair Level Value** |
| | £'000 | £'000 | £'000 | £'000 | |
| Financial liabilities at amortised cost - current | 9,048 | 9,048 | 10,813 | 10,813 | 0 |
| Long Term Borrowing | 13,000 | 18,304 | 10,300 | 15,500 | 2 |
| Unapplied grants | 304 | 304 | 90 | 90 | 0 |
| **Total** | **22,352** | **27,656** | **21,203** | **26,403** | |

| | 31 March 2017 | | 31 March 2018 | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** | **Fair Level Value** |
| | £'000 | £'000 | £'000 | £'000 | |
| Loans and Receivables - Current | 26,821 | 26,821 | 19,954 | 19,954 | 0 |
| Long Term Investments | 5,780 | 5,894 | 4,044 | 4,158 | 1 |
| Long Term Debtors | 4,334 | 4,334 | 1,725 | 1,725 | 0 |
| **Total** | **36,935** | **37,049** | **25,723** | **25,837** | |

Short term Receivables and Payables are carried at cost as this is a fair approximation of their value.

The fair value of Public Works Loan Board (PWLB) loans of £304,219 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

## 37 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Deposits are not made with banks and financial institutions, other than building societies and local government institutions, unless they are rated independently with the following ratings. The Authority has a policy of not lending more than £4m of its surplus balances to one institution at any one time.

The Authority's minimum ratings for banks are:

| | Short Term Rating | | Viability Rating | | Support Rating | | Long Term Rating |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | F1 | | BB+ | | 3 | | A |

**Short Term Rating**

F1 = Highest credit quality. This indicates the strongest capacity for timely payment of financial commitments. Have an added "+" to denote any exceptionally strong credit feature.

**Viability Rating**

B = A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

BB = Speculative fundamental credit quality – 'BB' ratings denote moderate prospects for ongoing viability. A moderate degree of fundamental strength exists, which would have to be eroded before the bank would have to rely on extraordinary support to avoid default. However, an elevated vulnerability exists to adverse changes in business or economic conditions over time.

C = An adequate bank which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment and prospects.

**Support Rating**

3 = A bank, for which support from a state or from an institutional owner is likely but not certain.

**Long Term Rating**

A = A low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. There may be some vulnerability to changes in circumstances or in economic conditions than is the case for higher ratings.

In addition to the above the following institutions are also allowed:

Top UK Building Societies, whose assets exceed £2,000,000,000

Government departments

Non-privatised National Industries

Counter parties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority and shown above.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £7,000,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non -recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2017, that this was likely to crystallise.

Other Financial Instruments

**Trade Receivables**
Customers are assessed, taking into account their financial position, past experience and other factors, with credit limits being set in accordance with internal ratings within parameters set by the Council.

**Tenants**
The Authority has a policy in place to try and reduce credit risk on tenants. This involves obtaining a bank reference and two trade references for new leases, in addition to accounts and credit checks. If the Authority is aware of a new tenant leasing other commercial property, a reference is also obtained from their landlord. In some circumstances a surety may also be request. In all cases a three month deposit is required.

**Income Recovery**
To reduce credit risk, there is a policy in place to ensure timely collection of outstanding amounts.

Payment terms are set up on accounts when they are opened. Computer generated reminders are issued a week after the term expires and a second reminder is sent after a further 14 days. Following on from this if the debt remains unpaid it is passed for further recovery action.

The following table analyses overdue Receivables excluding (both short and long term) and shows what allowance, if any, has been made for these debts as laid out within the Accounting policies, shown later in this booklet.

| | 2016/2017 | | | 2017/2018 | | |
|---|---|---|---|---|---|---|
| | **Debt Outstanding** | **Allowance in Accounts** | **Net Liability** | **Debt Outstanding** | **Allowance in Accounts** | **Net Liability** |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 0 to 3 months | 1,353 | (19) | 1,334 | 1,714 | (18) | 1,696 |
| 4 to 6 months | 567 | (85) | 482 | 176 | (26) | 150 |
| 7 to 12 months | 126 | (25) | 101 | 109 | (18) | 91 |
| Over one year | 487 | (243) | 244 | 347 | (174) | 173 |
| **Total** | **2,533** | **(372)** | **2,161** | **2,346** | **(236)** | **2,110** * |

* This table excludes the allowance for Council Tax, NNDR and Overpaid Housing Benefits.

Treasury Management – Limits

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.  The Authority does not allow credit for counterparties.

## Liquidity Risk

As the Authority has ready access to borrowings from Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than £5m of Long Term loans are due to mature within any financial year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. All loans in the less than one year category relate to short term loans. The table below also includes commitments for unapplied grants.

The maturity analysis of financial liabilities is as follows:

| | 31 March 2017 | 31 March 2018 |
|---|---|---|
| | £'000 | £'000 |
| Less than one year | 299 | 4,043 |
| Between one and two years | 70 | 173 |
| Between two and five years | 3,211 | 202 |
| More than five years | 10,330 | 10,194 |
| **Total** | **13,910** | **14,612** |

All current Payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the surplus or deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates – the interest income credited to the surplus or deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried out at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher will all other variables held constant, the financial effect would be:

| | Estimation of 1% increase in interest rates as at 31 March 2018 |
|---|---|
| | |
| | £'000 |
| | |
| Increase in interest payable on Variable Rate borrowings | 38 |
| Increase in interest receivable on Variable Rate investments | (122) |
| **Impact on surplus on the Provision of Services** | **(84)** |

Foreign Exchange Risk

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

Price Risk

The council has no investments in equity shares and therefore is not exposed to losses arising from movements in the price of shares.

# Collection Fund

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation of 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 the Government. The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund.

The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For the Borough Council of King's Lynn and West Norfolk, the Council Tax precepting bodies are the Office of the Police and Crime Commissioner for Norfolk (OPCCN) and Norfolk County Council.

In 2013/2014, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Borough Council of King's Lynn and West Norfolk share is 40% , Central Government (50% share) and Norfolk County Council (10% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

| NNDR 2016/2017 £'000 | Council Tax 2016/2017 £'000 | Total 2016/2017 £'000 | | NNDR 2017/2018 £'000 | Council Tax 2017/2018 £'000 | Total 2017/2018 £'000 |
|---|---|---|---|---|---|---|
| | | | **Income** | | | |
| 46,653 | 0 | **46,653** | Non-domestic ratepayers | 41,572 | 0 | **41,572** |
| 0 | 77,679 | **77,679** | Council Tax | 0 | 82,371 | **82,371** |
| **46,653** | **77,679** | **124,332** | **Total Income** | **41,572** | **82,371** | **123,943** |
| | | | | | | |
| | | | **Expenditure** | | | |
| | | | Apportionment of Previous Year Surplus (Deficit) | | | |
| (1,040) | 0 | **(1,040)** | Central Government | (271) | 0 | **(271)** |
| (832) | 111 | **(721)** | Borough Council of King's Lynn & West Norfolk | (217) | 89 | **(128)** |
| (208) | 805 | **597** | Norfolk County Council | (54) | 644 | **590** |
| 0 | 141 | **141** | OPCCN | 0 | 113 | **113** |
| | | | | | | |
| | | | Precepts, Demands and Shares | | | |
| | | | | | | |
| 21,496 | 0 | **21,496** | Central Government | 20,608 | 0 | **20,608** |
| 19,561 | 5,411 | **24,972** | Borough Council King's Lynn & West Norfolk | 17,646 | 5,700 | **23,346** |
| 4,299 | 57,087 | **61,386** | Norfolk County Council | 4,122 | 60,867 | **64,989** |
| 0 | 10,208 | **10,208** | OPCCN | 0 | 10,592 | **10,592** |
| 0 | 2,563 | **2,563** | Parish/Special Expenses | 0 | 2,799 | **2,799** |
| | | | | | | |
| | | | Charges to Collection Fund | | | |
| | | | | | | |
| 221 | 0 | **221** | Cost of Collection Allowance | 220 | 0 | **220** |
| (2,893) | 0 | **(2,893)** | Non-Domestic Rates Provision for Appeals | 886 | 0 | **886** |
| 87 | 72 | **159** | Bad Debt Provisions | 28 | 102 | **130** |
| 746 | 266 | **1,012** | Write-offs of uncollectable amounts | 169 | 213 | **382** |
| **41,437** | **76,664** | **118,101** | **Total Expenditure** | **43,137** | **81,119** | **124,256** |
| | | | | | | |
| 5,216 | 1,015 | **6,231** | (Deficit)/Surplus arising during the year | (1,565) | 1,252 | **(313)** |
| (2,641) | 530 | **(2,111)** | (Deficit)/Surplus brought forward 1st April | 2,576 | 1,545 | **4,121** |
| **2,575** | **1,545** | **4,120** | **(Deficit)/Surplus carried forward 31 March** | **1,011** | **2,797** | **3,808** |

## General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Authority. The Collection Fund has been prepared on an accruals basis.

### C1 Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/2014, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of the Borough Council of King's Lynn and West Norfolk the local share is 40%. The remainder is distributed to preceptors and in the case of the Borough Council of King's Lynn and West Norfolk these are Central Government 50% and 10% to the Norfolk County Council.

The business rates shares payable for 2017/2018 were estimated before the start of the financial year as £20.1 m to Central Government, £4.1m to Norfolk County Council and £17.6m to the Borough Council of King's Lynn and West Norfolk. These sums have been paid in 2017/18 and charged to the collection fund in year.

When the scheme was introduced Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect the Borough Council of King's Lynn and West Norfolk has paid a tariff to Central Government in 2017/2018 to the value of £10.6m.

Additional growth above the agreed baseline is split 50% between the Council and either Central Government or a Business rates pool. In 2017/2018 the Borough Council of King's Lynn and West Norfolk was part of a Business rates pool with other Norfolk Councils (lead by Norfolk County Council) and paid a levy of £0.8m.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2018. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2017/2018 has been calculated at £5.1m.

For 2017/2018, the total non-domestic rateable value at the year-end is £114.9m (£112.3m in 2016/2017). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses, and the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/2017).

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| | | |
| Gross non-domestic rates payable | 52,611 | 51,622 |
| Less Allowances and other adjustments | (5,958) | (10,050) |
| | | |
| **Net Contribution to NNDR pool** | **46,653** | **41,573** |

Non-Domestic Rates Appeals Provision

| | 2016/2017 | 2017/2018 |
|---|---|---|
| | £'000 | £'000 |
| In Year Appeals | | |
| Balance at 1 April | 1,865 | 1,951 |
| Adjustment in year | 86 | (442) |
| Balance at 31 March | **1,951** | **1,509** |
| | | |
| Back Dated Appeals | | |
| Balance at 1 April | 5,218 | 2,239 |
| Adjustment in year | (2,979) | 1,329 |
| Balance at 31 March | **2,239** | **3,568** |
| | | |
| **NNDR Appeals Provision** | **4,190** | **5,077** |

## C2 Council Tax

Each Authority calculates the amount of its Authority Tax by dividing its requirements for the year by its tax base.

The tax base is the number of dwellings in the area belonging to each valuation band, modified to take account of the multipliers applying to dwellings in each band and the discounts, reductions and proportion of the Council Tax which the Authority expects to be able to collect.

| Valuation Band | Range of values at 1 April 1991 | Total Dwellings | Number of Chargeable Dwellings | Dwellings after Discounts & Exemptions | Ratio to Band D | Band D Equivalent |
|---|---|---|---|---|---|---|
| A* | * | | | 44 | 5/9 | 24 |
| A | Up to £40,000 | 24027 | 22,808 | 15,355 | 6/9 | 10,237 |
| B | £40,001-£52,000 | 17205 | 16,800 | 13,739 | 7/9 | 10,686 |
| C | £52,001-£68,000 | 13353 | 13,054 | 11,417 | 8/9 | 10,149 |
| D | £68,001-£88,000 | 9335 | 9,103 | 8,236 | 9/9 | 8,236 |
| E | £88,001-£120,000 | 4768 | 4,624 | 4,295 | 11/9 | 5,250 |
| F | £120,001-£160,000 | 2399 | 2,339 | 2,215 | 13/9 | 3,199 |
| G | £160,001-£320,000 | 1038 | 1,011 | 948 | 15/9 | 1,580 |
| H | More than £320,000 | 110 | 107 | 94 | 18/9 | 189 |
| Band D Equivalents | | | | | | **49,550** |
| | | | | | | |
| Plus MOD | | | | | | 464 |
| Total Taxbase | | | | | | **50,014** |

*Entitled to a disabled relief reduction

The Authority set a precept of £5,700,220 representing Band D Council Tax of £116.87 for its services. In addition special expenses under section 34(1) of the Local Government Finance Act 1992, totalling £659,810 and parish precepts totalling £2,138,840 were levied, averaging £57.38 for a Band D property. Norfolk County Council set a precept of £60,867,026 representing a Band D charge of £1,247.94 and Norfolk Police Authority set a precept of £10,592,250 representing a Band D charge of £217.17. Reductions are made, in accordance with Government guidance, for persons on lower incomes.

## C3 Share of Balance

The balance of the Collection Fund at 31 March 2018 stands at £3.8m Surplus (2016/2017 £4.1m Surplus). This amount is shared as follows:

| Council Tax | NNDR | Total | | Council Tax | NNDR | Total |
|---|---|---|---|---|---|---|
| | 2016/2017 | | | | 2017/2018/ | |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | | | | | |
| 164 | 1,030 | 1,194 | Borough Council | 295 | 404 | 699 |
| 1,174 | 257 | 1,431 | Norfolk County Council | 2,132 | 101 | 2,233 |
| 207 | 0 | 207 | OPCCN | 370 | 0 | 370 |
| 0 | 1,288 | 1,288 | Central Government | 0 | 506 | 506 |
| **1,545** | **2,575** | **4,120** | | **2,797** | **1,011** | **3,808** |

# ACCOUNTING POLICIES

## Accounting Policies

### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/2018 financial year and its position at the year end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts under the Accounts and Audit (England) Regulations 2015, preparing them in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 and the Service Reporting Code of Practice 2017/2018 supported by International Financial Reporting Standards (IFRS). The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

### Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Authority's officers) 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 necessarily 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 the revenue for the income that might not be collected.

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

## Bad Debt Allowance

General Fund

| | % |
|---|---|
| Up to 30 days | 0 |
| 31-60 days | 5 |
| 61-90 days | 10 |
| 3-6 months | 15 |
| 6-12 months | 20 |
| In excess of 12 Months | 50 |

The following percentages determine the level of Bad Debt Allowance:

The level of allowance specifically for housing benefits bad debts was reviewed in 2017/2018, so that for bad debts in excess of 12 months there is now 100% cover and 44% cover for amounts less than 12 months.

Collection Fund

The respective Bad Debt Allowances are determined using the following percentages:

Council Tax

| | | |
|---|---|---|
| Prior Years | (2013/2014) and previous years | 100.0% |
| | (2014/2015) | 70.0% |
| | (2015/2016) | 50.0% |
| | (2016/2017) | 10.0% |
| | (2017/2018) | 1.5% |

Council Tax – Costs Outstanding

| | | |
|---|---|---|
| Prior Years | (2013/2014) and previous years | 100.0% |
| | (2014/2015) | 90.0% |
| | (2015/2016) | 75.0% |
| | (2016/2017) | 50.0% |
| | (2017/2018) | 20.0% |

NNDR

| | | |
|---|---|---|
| Prior Years | (2015/2016) and previous years | 100.0% |
| | (2016/2017) | 50.0% |
| | (2017/2018) | 33.0% |

**Accounting Policy – Provisions**

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) it 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.

## Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Authority includes deposits with financial institutions classified as call accounts and notice accounts where the notice period is less than 3 months.

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

## Prior Period Adjustments, Changes in Accounting Policies and Estimate and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### Charges to Revenue for Non-current Assets

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

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

The Authority is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The Council's method of calculating Minimum Revenue Provision is included within the Treasury Management Strategy Statement 2017/2018. (The remaining portion of the MRP relates to the more historical debt liability that is charged at the rate of 4 %.) Certain expenditure reflected within the debt liability is charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of the expenditure, using equal annual instalments. Depreciation, revaluation and impairment losses and amortisations 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.

## Employee Benefits

<u>Benefits Payable During Employment</u>

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

<u>Termination Benefits</u>

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

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

Post- Employment Benefits

Employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme which is a funded defined benefits scheme administered by Norfolk County Council. The pension costs that are charged to the Authority’s accounts in respect of these employees are equal to the contributions paid to the pension scheme for employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pension costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations.

The Authority complies fully with the requirements of IAS 19.

The policy is to recognise the full liability that the Authority has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

Charges to service revenue accounts are based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employer’s contributions. In addition, the policy for accounting for discretionary benefits awarded on early retirement is by charging (as past service costs) the projected cost of discretionary awards to the appropriate service in the year that the award decision is made.

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

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

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

**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 are authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statements of Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period - the Statements 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 of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statements of Accounts. There have been no such events prior to the authorisation for issue date.

## Financial Instruments

Recognition

Financial instruments are recognised when the Authority becomes a party to the contractual provisions of the instrument. For example, the recognition of a financial asset (e.g. investment) is when the Authority becomes committed to a date to buy or sell the asset. Receivables and payables are recognised once the related goods or services have been delivered or rendered.

In accordance with the Code, some financial instruments are not disclosed within the note to the accounts on financial instruments because they are covered by disclosures made elsewhere within the accounts. These are:

- Rights and obligations under leases;
- Amounts relating to such things as council tax, non-domestic rates, general rates, etc. (which are outside the scope of the accounting provisions as they are statutory debts and do not arise from contracts);
- The Council's rights and obligations under pension schemes.

The Authority discloses all financial instruments that are considered material to the Authority's financial position and performance in the year.

De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Authority has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

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

Impairments

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

## Measurement

Financial Instruments are initially measured at fair value less the transaction costs that are directly attributed to the acquisition or issue of the financial asset or financial liability. Subsequent measurement depends on the classification of the instrument as detailed by IAS 39 and the Code.

| Classification | Description | Measurement Base |
|---|---|---|
| **Financial Assets** | | |
| Held to Maturity Investments | Non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity, that do not meet the definition of loans and receivables are not designated on initial recognition as assets at fair value through profit and loss or as available for sale. | Amortised Cost |
| Loans and Receivables | Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than for trading or designated on initial recognition as assets at fair value through profit and loss or as available for sale. | Amortised Cost |
| **Financial Liabilities** | | |
| Commitment to Provide Soft Loans | A Commitment to provide a loan at a below market interest rate | Fair Value |
| Financial Liabilities | All liabilities not held for trading or are derivatives, e.g. operational Payables and borrowings | Amortised Cost |

## Basis for Charging Revenue

The impact on the income and expenditure account depends upon the type of financial instruments:

| Classification | Measurement | Impact on Income and Expenditure |
|---|---|---|
| **Financial Assets** | | |
| Held to Maturity Investments | Amortised Cost | The interest receivable using the effective interest rate is charged |
| Loans and Receivables | Amortised Cost | The interest receivable using the effective interest rate is charged |
| Gilts and Certificates of Deposit | Fair Value | Gains and Losses on the fair value of the liability are charged as they arise. |
| | | |
| **Financial Liabilities** | | |
| Commitment to Provide Soft Loans | Fair Value | Gains and Losses on the fair value of the liability are charged as they arise |
| Financial Liabilities | Amortised Cost | The interest payable using the effective interest rate is charged. |

### Soft Loans

As part of its Private Sector Housing Policy the Authority makes loans to private individuals at nil interest. These loans are secured by a charge on the individual's property. This means that market rates of interest have not been charged and these loans are classified as soft loans. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. The Authority calculates the loss based on the interest rate charged for borrowing with the Public Works Loan Board as at 1 April of the financial year for a new loan up to 20 years, with a 1% risk premium to cover the possible credit risk arising from non-repayment. Interest is credited at the real effective rate of interest with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net credit required against the General Fund Balance is managed by a transfer to/from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of 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 (attributable revenue grants/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.

## Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (of up to 40 years) to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

## Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. The Council's heritage assets include historical buildings, civic regalia, museum collections, works of art and the Borough archives.

- Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donation are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

The Council's collections of heritage assets are accounted for as follows:

Civic Regalia and Art Collection

- The Council's Regalia and Art Collection is reported on the Balance Sheet at market value. The revaluation of these assets is undertaken every 10 years and the latest detailed valuation was carried out during 2011/2012. The valuation is undertaken by an external valuer. The valuers opinion is sought on an annual basis, as to whether it is considered that there has been any material change in the value of these assets.

- The Civic Regalia are on display in the Regalia Rooms at the Tales of the Old Gaol House, which is open to the public on specific days during the year. Full details of opening times are available on the Council website. The Art Collection is housed within King's Lynn Town Hall. There is not open public access to the Town Hall although conducted tours can be arranged for groups on request and the Town Hall is open during the annual National Heritage Day in September.

- The Council's Heritage Civic Regalia and Art Collection assets were undertaken by Bonhams 1793 Limited on the basis of Insurance.

Historical Buildings

- Historic buildings owned by the Council include Greyfriars Tower, Red Mount Chapel and Southgates. These assets were previously held in the Balance Sheet as Community Assets.
- Heritage Buildings are revalued by internal valuers every five years on a fair valued basis as recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyors Standards Valuation Manual (6th Edition), and an interim review is conducted annually, to ensure that their carrying amount is not materially different from their fair value at the year-end. Greyfriars Towers has been revalued in 2013/2014 and Red Mount Chapel and Southgates were revalued in 2015/2016. These buildings are considered to be National Treasures and as a result are incapable of being valued. They are therefore recorded at nil valuation in the Council's accounts.
- Red Mount Chapel and Southgates are open to the public on specific days between April and September and during the annual National Heritage Day in September. Full details of opening times are available on the Council Website.

Museum Collections

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

- The Norfolk County Council provides the secretary and treasurer to the joint committee, employs its staff, and owns a number of properties used by NMAS. However, the majority of collections and related buildings are owned by the relevant District Councils.

- The museum collections are reported in the Balance Sheet on the basis of in-house valuations by the curators and have been undertaken for curatorial and insurance valuation purposes. The museum collection comprises over 43,000 individual items and the vast majority of these items are of relatively low value. Museums with large collections generally cannot afford to buy valuations from auction houses so valuations are made by curators using current information from auction sale catalogues, internet sites, etc. The valuation of the Council's museum collections included in the Balance Sheet largely dates back to 1996 or acquisition cost. It is not considered practicable to obtain a more recent valuation as the cost is not considered to be commensurate with the benefits to users of the financial statements.

- Material items within the collections are stored in secure and controlled conditions and are therefore deemed to have indeterminate lives and a high residual value and the Authority does not consider it appropriate to charge depreciation.

- The Lynn Museum is open to the public on specific days during the year.

Borough Archive

- The Borough Archive includes documents, plans, books, maps and manuscripts and is reported on the Balance Sheet at market value.
- The revaluation of these assets is undertaken every 10 years. The latest valuation of the following items was carried out during 2011/2012. The valuation was undertaken by Bonhams 1793 Limited, on basis of Insurance.
- The most significant items held in this category are:

| | |
|---|---|
| Charter granted by King Canute | The Red Register |
| Charter granted by King Hardecnut | William Asshebourne's book |
| Royal Charter and Letters Patent | Tolbooth Court orders |

- In addition to the items listed above the Borough Archive contains some 1,250 boxes of diverse archive materials. The latest valuation was carried out during 2012/2013 by Bonhams 1793 Ltd, on basis of Insurance.
- The Borough Archive is located at King's Lynn Town Hall and is open for public access on Fridays throughout the year.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets, the proceeds of such items are accounted for in accordance with the Council general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## Inventories

Inventory is stated at the lower of cost, which is either computed on the basis of selling price less the appropriate trading margin (i.e. nursery stock) and net realisable value.

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

## Jointly Controlled Operations

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

## Leases

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

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

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

<u>The Authority as Lessee</u>

*Finance Leases*

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

Lease payments are apportioned between:

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

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

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

*Operating Leases*

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

<u>The Authority as Lessor</u>

*Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

*Operating Leases*

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

**Property, Plant and Equipment**

Assets that have physical substance 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

All expenditure over £10,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued every five years on the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyor's Standards Valuation Manual (6th Edition), and an interim review is conducted annually, to ensure that their carrying amount is not materially different from their fair value at the year-end. 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] Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. During the year assets within the Regeneration portfolio were revalued.

Revaluations

The Council carries out a rolling programme that ensures that all its property, plant and equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in professional standards of the Royal Institution of Chartered Surveyors.

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

| | |
|---|---|
| Fair Value: | Land and buildings and investment properties. |
| Depreciated Historical Cost: | Vehicles, plant and equipment, infrastructure and intangibles. |
| Historic Cost: | Community Assets, assets under construction and assets held for sale. |

All properties are valued by RICS qualified staff working for the Authority.

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

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

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

Componentisation

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the asset and whose useful life differs, the components are depreciated separately, unless the componentisation makes no material difference to the overall depreciation charge. The following de-minimus levels have been set for componentisation of an asset (as the values are not considered significant in relation to componentisation):

- Assets with a total cost of £100,000 or less will not be subject to componentisation.
- Any components with a cost of 10% or less of the total cost of an asset will not be componentised separately.

Componentisation is considered for new valuations, enhancement expenditure and acquisition expenditure carried out on or after 1 April 2010.

The Authority recognises the following levels of components:

- Structure
- Roof
- External Works
- Internal Services

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service lines(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.

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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

Depreciation is calculated on the following bases:

| | | | |
|---|---|---|---|
| Asset Lives | Buildings | including Structures, Roofing and External works | up to 60 years |
| | | Internal Services | up to 15 years |
| | Equipment | | up to 15 years |
| | Vehicles | | up to 7 years |

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

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

**Reserves**

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

Certain reserves are kept to manage the accounting processes for Non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Authority. These reserves are explained in the relevant policies.

Revaluation Reserve

This reserve records the gains and losses arising on the revaluation the Authority's Non-current assets from 1 April 2007. Previously, such gains and losses were taken to the Fixed Asset Restatement Account. The balance on the Fixed Asset Restatement Account as at 31 March 2007 was transferred to the Capital Adjustment Account on 1 April 2007.

The reserve records the accumulated gains on the Non-current assets held by the Authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The reserve is also debited with amounts equal to the depreciation charges on assets that have been incurred only because the asset has been revalued i.e. the difference between depreciation charged and that which would have been charged if the asset was held at historic cost. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the reserve thus represents the amount by which the current value of Non-current assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

## Capital Adjustment Account

Established on 1 April 2007, the balance is the amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account as at that date. Consequently, the opening balance consists of:

- The consolidation of gains arising from the revaluation of Non-current assets (as previously taken to the Non-current assets Restatement Account);and
- Revenue funds set aside as a provision to repay external loans and the financing of capital payments from capital receipts and revenue reserves (formerly presented in the Capital Financing Account).

The Account accumulates the write-down of the historical cost of Non-current assets as they are consumed by depreciation and impairments or written off on disposal, and the resources that have been set aside to finance capital expenditure. The balance on the Account thus represents timing differences between the amount of the historical cost of Non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

## Financial Instruments Adjustment Account

This reserve contains the difference between financial instruments measured at fair value and the balances required to comply with statutory requirements.

## Pensions Reserve

Reconciles the payments made for the year to the defined benefits scheme in accordance with the scheme's requirements and the net change in the Authority's recognised liability under IAS 19 – Retirement Benefits, for the same period.

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of Council Tax and NNDR 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.

## Accumulated 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 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.

## 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 non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## VAT

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

## Council Tax and National 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 National Non-Domestic Rates (NNDR). In its capacity as a billing Authority, the Council acts as an agent collecting and distributing Council Tax and NNDR 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 National Non-Domestic Rate income in the Comprehensive Income and Expenditure Account as accrued income.

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.

## Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

# GROUP ACCOUNTS

## Group Arrangements and Accounts

### 1 Introduction

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

The Council is involved with a number of companies and organisations whose assets and liabilities are not included in the Council's single entity statements. In these cases the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts. For further information on these Joint Arrangements please see page 54 note 16.

The Council does have interests in two companies that are classified as a subsidiary and an associate, all of which have been considered for consolidation. Only one of these, Alive Management Ltd is considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Alive Management Ltd.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with the entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. No material entities meet these criteria to be included in the group.
- Jointly Controlled Entities - where the Council exercises joint control with one or more organisations. No entities identified to be included in the group.
- No Group Relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

| | | |
|---|---|---|
| Alive Management Ltd | Subsidiary | Consolidated |
| CNC Consultancy Services Ltd | Associate | Not Material |
| West Norfolk Housing Ltd | Subsidiary | Not Material |

## 2 Subsidiaries

**Alive Management Ltd**

The company was formed on 9 October 2013 and its principal activity is that of a sports facilities operation company. The Company commenced trading on 1 September 2014.

Alive Management Ltd

The Borough Council of King's Lynn and West Norfolk holds 100% of the allotted ordinary shares in Alive Management Ltd. The Company's accounting period for 2017/2018 is from 1 April 2017 to 31 March 2018. The final accounts of the Company for the period ended 31 March 2018 have been audited by Ensors Accountants LLP. Copies of the accounts may be obtained from Companies House or by request to the Council.

The results of Alive Management Ltd to 31 March 2018 are shown in the table below:

| | **Budget as per March Monitoring** | **Actual to March 2017** | **Variance** | **Budget as per March Monitoring** | **Actual to March 2018** | **Variance** |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | |
| Operational | 2,682 | 2,716 | 34 | 2,786 | 2,742 | (44) |
| Catering | (115) | (127) | (12) | (116) | (105) | 11 |
| Maintenance | 517 | 495 | (22) | 494 | 461 | (33) |
| | | | | | | |
| **Total** | **3,084** | **3,084** | **0** | **3,164** | **3,098** | **(66)** |

## CNC Consultancy Services Ltd (CNC)

The structure of the Company is that of an associate in accordance with the powers provided by the Local Government Act 2003. Its primary activities are building regulation and energy consultancy services. The Council owns 31,000 shares (or 25% of all shares) in C.N.C. Consultancy Services Limited; the cost of these shares was £31,000. Based on materiality, no group accounts have been included with the Councils Statement of Accounts for 2017/2018. Draft accounts may be obtained from C.N.C. Consultancy Services Limited, South Norfolk House, Cygnet Court, Long Stratton, Norfolk, NR15 2XE.

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

The Subsidiary has been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code.

The subsidiary undertaking has the same accounting year end as the Council's.

## West Norfolk Housing Ltd

The Company was formed in September 2016 and its principal activity is that of a Registered Social Housing Provider. The Company as at the 31 March 2018 has not commenced trading.

The Borough Council of Kings Lynn & West Norfolk holds 100% of the allotted ordinary shares in West Norfolk Housing Ltd.

**Group Movement in Reserves Statement**

| | Council's Usable Reserves | Subsidiary Usable Reserves | Total Group Usable Reserves | Council's Unusable Reserves | Subsidiary Unusable Reserves | Total Group Unusable Reserves | Total Group Reserves |
|---|---|---|---|---|---|---|---|
| | 2017/2018 | 2017/2018 | 2017/2018 | 2017/2018 | 2017/2018 | 2017/2018 | 2017/2018 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 31 March 2017** | **(33,944)** | **(19)** | **(33,963)** | **(101,206)** | **0** | **(101,206)** | **(135,169)** |
| **Movement in Reserves during 2017/18** | | | | | | | |
| Group Surplus/(Deficit) | 7,867 | 1 | **7,868** | 0 | 0 | **0** | **7,868** |
| Other Comprehensive Income and Expenditure | 0 | 0 | **0** | (6,290) | 0 | **(6,290)** | **(6,290)** |
| **Total Comprehensive Income and Expenditure** | **7,867** | **1** | **7,868** | **(6,290)** | **0** | **(6,290)** | **1,578** |
| Adjustments between accounting basis & funding basis under regulations | (8,287) | 0 | **(8,287)** | 8,287 | 0 | **8,287** | **0** |
| **Increase/(Decrease) in Year** | **(420)** | **1** | **(419)** | **1,997** | **0** | **1,997** | **1,578** |
| **Balance at 31 March 2018** | **(34,364)** | **(18)** | **(34,382)** | **(99,209)** | **0** | **(99,209)** | **(133,591)** |

| | Council's Usable Reserves | Subsidiary Usable Reserves | Total Group Usable Reserves | Council's Unusable Reserves | Subsidiary Unusable Reserves | Total Group Unusable Reserves | Total Group Reserves |
|---|---|---|---|---|---|---|---|
| | 2016/2017 | 2016/2017 | 2016/2017 | 2016/2017 | 2016/2017 | 2016/2017 | 2016/2017 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 31 March 2016** | **(27,444)** | **(14)** | **(27,458)** | **(113,116)** | **0** | **(113,116)** | **(140,574)** |
| **Movement in Reserves during 2016/17** | | | | | | | |
| Group Surplus/(Deficit) | (4,878) | (5) | **(4,883)** | 0 | 0 | **0** | **(4,883)** |
| Other Comprehensive Income and Expenditure | 0 | 0 | **0** | 10,288 | 0 | **10,288** | **10,288** |
| **Total Comprehensive Income and Expenditure** | **(4,878)** | **(5)** | **(4,883)** | **10,288** | **0** | **10,288** | **5,405** |
| Adjustments between accounting basis & funding basis under regulations | (1,622) | 0 | **(1,622)** | 1,622 | 0 | **1,622** | **0** |
| **Increase/(Decrease) in Year** | **(6,500)** | **(5)** | **(6,505)** | **11,910** | **0** | **11,910** | **5,405** |
| **Balance at 31 March 2017** | **(33,944)** | **(19)** | **(33,963)** | **(101,206)** | **0** | **(101,206)** | **(135,169)** |

## Group Comprehensive Income and Expenditure Statement

| Restated 2016/2017 | | | | 2017/2018 | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure** | **Gross Income** | **Net Expenditure** | | **Gross Expenditure** | **Gross Income** | **Net Expenditure** |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | | | | | |
| 2,424 | (209) | 2,215 | Corporate Services | 7,633 | (81) | 7,552 |
| 1,478 | (181) | 1,297 | Democratic Services | 1,550 | (200) | 1,350 |
| | | | **Service Heads** | | | |
| 5,149 | (3,047) | 2,102 | Central and Community Services | 5,813 | (3,067) | 2,746 |
| 1,843 | (2,502) | (659) | Chief Executive Services | 2,361 | (1,126) | 1,235 |
| 20,944 | (15,322) | 5,622 | Commercial Services | 20,780 | (14,971) | 5,809 |
| 2,967 | (1,960) | 1,007 | Environment and Planning Services | 4,023 | (2,151) | 1,872 |
| 42,838 | (41,018) | 1,820 | Finance Services | 40,866 | (38,814) | 2,052 |
| **77,643** | **(64,239)** | **13,404** | **Cost of Services** | **83,026** | **(60,410)** | **22,616** |
| | | | | | | |
| | | 4,652 | Other Operating Expenditure | | | 4,813 |
| | | (581) | Financing and Investment Income and Expenditure | | | 814 |
| | | (22,359) | Taxation and Non-specific Grant Income | | | (20,375) |
| | | **(4,884)** | **(Surplus)/Deficit on Provision of Services** | | | **7,868** |
| | | 3 | Surplus on revaluation of fixed assets (def cap rec/gov grants/ggd) | | | (731) |
| | | 10,285 | Actuarial (gains)/losses on pensions assets/liabilities | | | (5,559) |
| | | **10,288** | **Other Comprehensive Income and Expenditure** | | | **(6,290)** |
| | | | | | | |
| | | **5,404** | **Total Comprehensive Income and Expenditure** | | | **1,578** |

## Group Balance Sheet

| 31 March 2017 | Note | | 31 March 2018 |
|---|---|---|---|
| £'000 | | | £'000 |
| 154,078 | | Property, Plant, Equipment, Heritage Assets and Intangible Assets | 159,800 |
| 24,349 | | Investment Property | 24,582 |
| 3,059 | | Long Term Investments | 4,044 |
| 4,673 | | Long Term Receivables | 1,725 |
| **186,159** | | **Long Term Assets** | **190,151** |
| 18,700 | | Short Term Investments | 6,062 |
| 123 | | Inventories | 100 |
| 8,036 | G3 | Short Term Receivables | 11,246 |
| 4,382 | G4 | Cash and Cash Equivalents | 4,025 |
| 2,339 | | Assets Held for Sale | 2,024 |
| **33,580** | | **Current Assets** | **23,457** |
| (1,676) | | Provisions | (2,031) |
| (230) | | Short Term Borrowing | (3,769) |
| (14,668) | G5 | Short Term Payables | (14,137) |
| **(16,574)** | | **Current Liabilities** | **(19,937)** |
| (304) | | Grants Receipts in Advance | (90) |
| (13,000) | | Long Term Borrowing | (10,300) |
| (230) | | Other Long Term Liabilities | (257) |
| (54,460) | G6 | Pension Liabilities | (49,433) |
| **(67,994)** | | **Long Term Liabilities** | **(60,080)** |
| | | | |
| **135,171** | | **Net Assets** | **133,591** |
| | | | |
| (33,965) | G7 | Usable Reserves | (34,382) |
| (101,206) | | Unusable Reserves | (99,209) |
| **(135,171)** | | **Total Reserves** | **(133,591)** |

## Group Cash Flow Statement

| 2016/2017 | Note | | 2017/2018 |
|---|---|---|---|
| £'000 | | | £'000 |
| | | | |
| 4,884 | | **Net Surplus or (deficit) on the provision of services** | (7,868) |
| 16,900 | | Adjustment to surplus or deficit on the Provision of Services for Non Cash Movements | 11,977 |
| (8,578) | | Adjust for Items included in the Net surplus or deficit on the Provision of Services that are Investing and Financing Activities | 163,665 |
| **13,206** | | **Net Cash flows from Operating Activities** | **167,774** |
| (3,871) | | Investing Activities | (167,957) |
| (6,524) | | Financing Activities | (174) |
| **2,811** | | **Net (Increase) or decrease in Cash and Cash Equivalents** | **(357)** |
| | | | |
| 1,571 | | Cash and Cash Equivalents at the Beginning of the Reporting Period | 4,382 |
| 4,382 | | Cash and Cash Equivalents at the End of the Reporting Period | 4,025 |
| **4,382** | G4 | **Cash and Cash Equivalents at the End of the Reporting Period** | **4,025** |

## Notes to the Group Accounts

### G1 Accounting Policies

G1.1 General Principles

The Accounting Policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

G1.2 Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated, without discounting, based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

## G2 Tax Expenses of Group Entities

The taxation figure included in the Group Comprehensive Income and Expenditure Statement represents:

| 2016/2017 | | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 1.0 | Tax in respect of the current year | 0.0 |
| | | |
| **1.0** | **Total Taxation Expenses** | **0.0** |

## G3 Short Term Receivables

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 1,844 | Central Government bodies | 1,263 |
| 1,337 | Local Authorities | 963 |
| 120 | NHS Bodies | 148 |
| 0 | Public Corporations and Trading Funds | 18 |
| 6,732 | Other entities and individuals | 10,994 |
| | | |
| **10,033** | **Sub Total** | **13,386** |
| | | |
| (1,997) | Allowance for doubtful debt (other entities and individuals) | (2,140) |
| | | |
| **8,036** | **Total** | **11,246** |

## G4 Cash and Cash Equivalents

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

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| 969 | Single Entity Cash and Bank balances | 1,604 |
| 43 | Subsidiary cash and bank balances | (77) |
| 3,370 | Short term deposits with the Money Market | 2,498 |
| | | |
| **4,382** | **Total Group Cash and Cash Equivalents** | **4,025** |

## G5 Short Term Payables

The table provides details of creditors included in current liabilities on the balance sheet.

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| (4,627) | Central Government bodies | (4,266) |
| (3,948) | Local Authorities | (3,617) |
| (26) | NHS Bodies | (18) |
| (6,067) | Other entities and individuals | (6,236) |
| | | |
| **(14,668)** | **Total** | **(14,137)** |

## G6 Defined Contribution Pension Schemes

Alive Management Ltd is a participating employer in the Norfolk Pension Fund.

Borough Council of King's Lynn and West Norfolk employees who transferred to Alive Management Ltd on the 1st September 2014 were already part of the Local Government Pension Scheme. The Local Government Pension Scheme is funded by contributions from employee and employer. Members of the Local Government Pension Scheme may also contribute added years to that scheme or take out an Additional Voluntary Contribution scheme, each of which is funded by the employee alone. New Alive Management Ltd employees who are not in the Local Government Pension Scheme are automatically enrolled into the Local Government Pension Scheme unless they have exercised their right to opt out of scheme membership.

Alive Management Ltd Pension Scheme is accounted for as a defined contribution scheme. The Norfolk County Pension Scheme provides that in the event that a single employer has individuals contributing to the scheme then any remaining liability for benefits payable under the scheme falls on that employer. Since the main participating employers are statutory bodies it is highly improbable that such a liability will ever fall to Alive Management Ltd. As per the pension fund pooling agreement put in place to stabilise future pension contributions from the trust, all such liabilities would fall to the Borough Council of King's Lynn and West Norfolk.

The employer's contributions rate was 14% of pensionable pay and employee's contribution of:

| Band | Pensionable pay range 2017/2018 | Main section contribution rate |
|---|---|---|
| 1 | £0 to £13,600 | 5.50% |
| 2 | £13,601 to £21,200 | 5.80% |
| 3 | £21,201 to £34,400 | 6.50% |
| 4 | £34,401 to £43,500 | 6.80% |
| 5 | £43,501 to £60,700 | 8.50% |
| 6 | £60,701 to £86,000 | 9.90% |
| 7 | £86,001 to £101,200 | 10.50% |
| 8 | £101,201 to £151,800 | 11.40% |
| 9 | £151,801 or more | 12.50% |

The contribution rate was reviewed at the scheme's last valuation date, 31 March 2018.

## G7 Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 138. The reserves of the subsidiary include:

| 2016/2017 | Usable Reserves | 2017/2018 |
|---|---|---|
| £'000 | | £'000 |
| | | |
| (0.1) | Retained Share Capital | 0.1 |
| (19.1) | Retained Profit for the year | 17.8 |
| | | |
| **(19.2)** | **Total Usable Reserves** | **17.9** |
| | | |
| 0.0 | **Unusable Reserves** | 0.0 |
| | | |
| | | |
| **0.0** | **Total Unusable Reserves** | **0.0** |
| | | |
| **(19.2)** | **TOTAL RESERVES** | **17.9** |

# GLOSSARY

## Glossary

| | |
|---|---|
| Balances | Working balances are needed to finance expenditure in advance of income from precepts and grant. Any excess may be applied, at the discretion of the Authority, to reduce the Council Tax precept or to meet unexpected costs during the year. Balances on holding accounts and funds are available to meet expenditure in future years without having an adverse effect on revenue expenditure. |
| Budget | A statement of the income and expenditure plan of the Authority over a specified period. The most common is the annual Revenue budget expressed in financial terms which can include other information, e.g. number of staff. |
| Capital Adjustment Account | Introduced in the 2007 Statement of Recommended Practice, and reflecting the difference between the cost of Non-current assets consumed and the capital financing set aside to pay for them. |
| Capital Expenditure | Payments made for the acquisition or provision of assets of Long Term value to the Authority e.g. land, buildings and equipment. |
| Capital Financing | The raising and application of money to pay for capital expenditure. Usually the cost of capital assets is met by borrowing but capital expenditure may also be financed by other means such as leasing or contributions from the revenue accounts, the proceeds of the sale of capital assets, capital grants, and other contributions. |
| Capital Grants | Grants from the Government or other bodies toward capital expenditure on a specific service or project. |
| Capital Receipts | Receipts from the sale of Non-current assets. These may be used to finance capital expenditure. |
| Capital Reserves | An internal account used as an alternative to external borrowing to finance capital expenditure. |
| Carrying Amount | The value included in the Balance Sheet for Non-current assets is the carrying amount. This is the original cost of the Non-current asset less any depreciation, amortisation or impairment costs and increases/decreases in value or revaluation. |

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|---|---|
| Counterparty | A party to a contract |
| Current Assets | Assets whose value tends to vary on a day to day basis. It is reasonable to expect that assets under this heading in a balance sheet would be consumed or realised during the next accounting period, e.g. stocks, cash, bank balances and receivables. |
| Current Expenditure | Expenditure on the day-to-day running of services. |
| Current Liabilities | Those amounts which will become payable or could be called upon within the next accounting period., e.g. payables, cash overdrawn |
| Fair Value | An estimate of the market value of an asset or liability for which a market price cannot be determined. |
| Financial Instrument | Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. |
| Financial Instruments Adjustment Account | Contains the difference between financial instruments measured at fair value and the balances required to comply with equipment |
| Non-Current Assets | These are assets that are likely to be in use by the Authority for more than one year, such as land and buildings and plant and equipment. |
| General Fund | The main revenue fund of an Authority into which is paid the precept and Government grants and from which is met the cost of providing services. |
| Government Grants | Payments by Central Government towards local Authority expenditure. They may be specific e.g. Housing Benefits or general e.g. Revenue Support Grant. |
| Heritage Asset | Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art. |
| Housing Advances | Loans previously given by an Authority to individuals towards the cost of acquiring or improving their homes. |

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|---|---|
| Housing Benefit | Subsidy payments from the Government to persons on low income to reduce rent and / or Council Tax payments due to the Authority or private landlords. |
| Impairment | A downward revaluation of non-current assets to ensure the carrying value is equal to the recoverable amount. |
| Intangible Assets | Intangible items may meet the definition of an asset when access to the future economic benefits is controlled by the Authority, either through custody or legal protection. Intangible items include software licences and housing nomination rights. |
| Irrecoverables | Amounts due from Receivables finally deemed lost to an Authority and written out of the accounts. |
| Outturn | The actual level of expenditure and income in a particular year. |
| Precepts | The charge made by County, Police, Borough and Parishes on the Collection Fund to meet their net expenditure. |
| Rateable Value | The notional annual rental value of a premise to which the rate poundage is applied to determine the rates payable. |
| Rate Levy | The number of pence in the pound which is applied to the rateable value to determine the rates. |
| Renewals Reserve | An account an Authority can establish to meet the cost of replacing and renewing its vehicles, plant and equipment. |
| Revaluation Reserve | Introduced in the 2007 Statement of Recommended Practice, for recording the net gain (if any) from revaluations, depreciation and impairment made after the 1 April 2007. |
| Revenue Contributions to Capital | The use of revenue monies to finance capital expenditure instead of financing the expenditure from loan, capital receipts, lease or unsupported borrowing. |
| Revenue Expenditure Funded from Capital under Statute | Capital expenditure that does not result in a new or enhanced asset in the Authority’s accounts. An example is improvement grants made to individuals. These are charged to the Income and Expenditure Account. |
| Revenue Expenditure | Expenditure on day-today expenses – principally employees, running expenses of buildings and equipment and capital financing charges. |
| Revenue Support Grant | A grant paid by Central Government to aid Local Authority expenditure generally. |
| Soft Loans | Loans made at less than market value rates are classified as soft loans. |
| Trading Operations | Services which are operated partly or wholly on commercial lines, e.g. markets. |

| | |
|---|---|
| Transferred Debt | The amounts in the Authority's Balance Sheet which are still owed to or by other bodies to repay the debt outstanding on assets transferred to or from those authorities. (See Transferred Services). |
| Transferred Services | Those services which were once administered by one Authority but which, for a variety of reasons, have been transferred into the control of another Authority. It is sometimes necessary for the original Authority to continue to repay loans and this expenditure, together with associated costs is then recovered from the Authority to which the services have been transferred. (See Transferred Debt). |
| Unsupported Borrowing | A form of capital finance funded by revenue either by increased income or a reduction in costs. There is no Government grant to support this form of funding. |

# AUDIT REPORT

Building a better working world

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

## Opinion

We have audited the financial statements of Borough Council of King's Lynn & West Norfolk for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the Authority and Group Movement in Reserves Statement, Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, the related notes 1 to 37 to the Authority Accounts and notes G1 to G7 to the Group Accounts, and the Collection Fund and the related notes C1 to C3.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Borough Council of King's Lynn & West Norfolk and Group as at 31 March 2018 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 2017/18.

## 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 and group 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the "*Statement of Accounts 2017-2018*", other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

## Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

### Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Borough Council of King's Lynn & West Norfolk put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

## Responsibility of the Director of Finance

As explained more fully in the "*Statement of Responsibilities*" set out on page 2, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance 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.

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.

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 criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Borough Council of King's Lynn & West Norfolk had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Borough Council of King's Lynn & West Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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, Borough Council of King's Lynn & West Norfolk 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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

**Certificate**

We certify that we have completed the audit of the accounts of Borough Council of King's Lynn & West Norfolk in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the members of Borough Council of King's Lynn & West Norfolk, 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

............................................... Date:.........31.July 2018

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

The maintenance and integrity of the Borough Council of King's Lynn & West Norfolk web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Chief Executive**
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Borough Council of
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West Norfolk

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