

Borough Council of  
King's Lynn &  
West Norfolk



# STATEMENT OF ACCOUNTS

2018-2019



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## Statement of Responsibilities

### The Borough Council's Responsibilities

The Council 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 Council that officer is the Assistant Director of Financial Services (S151 Officer), Michelle Drewery;
- 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 25<sup>th</sup> January 2021.

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



Councillor Angie Dickinson, Chair of Audit Committee of the Borough Council of King's Lynn and West Norfolk as Chair of the Meeting  
29<sup>th</sup> January 2021



Michelle Drewery  
Assistant Director - Resources (S151 Officer)  
29<sup>th</sup> January 2021

### Chief Finance Officer's Responsibilities

The Assistant Director of Resources (S151 Officer) is responsible for the preparation of the Council's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice on Local Council Accounting in the United Kingdom' (the Code), is required to present the true and fair financial position of the Council and its income and expenditure for the year ended 31 March 2019.

In preparing the Statement of Accounts, the Assistant Director of Resources 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 Assistant Director of Resources 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 the 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 2019, and its income and expenditure for the year then ended.



Michelle Drewery  
Assistant Director - Resources (S151 Officer)

29<sup>th</sup> January 2021

## **Narrative Report**

### **1 Introduction**

The Code of Practice on Local Council 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 Council, 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 2018/2019.

The Statement of Accounts consists of summaries which deal with different aspects of the Council's activities and a Consolidated Balance Sheet which sets out the financial position of the Council as at 31 March 2019. 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?



**73%**

Last year 73% of people surveyed by the council said that they received a good or excellent service from us.

West Norfolk has a population of

**151,945\***



**129**

Number of new home built for sale by the council in west Norfolk



of contacts with Council CIC which are made using online services



Last year we approved

**1,437**

planning applications

**4.4million**



bins are emptied every year



**527,200**

Approximately 527,200 visitors come to west Norfolk each year and stay at least one night.

**8.87 million**



People make leisure day trips to west Norfolk.

**£46.6 million**

Business rates income due for 2018/2019

Amount retained by BCKLWN for 2018/2019  
**£8,096,168**

**6,062**



Total business rates properties at 31/3/2019

**99%**

Collection rate

**£410 million**

These visitors are estimated to spend £410 million per annum within the local economy.

**£88.3 million**

Total Council Tax income collectable (NCC, Police, BCKLWN and Parishes) for 2018/2019

Amount collectable re BCKLWN  
**£6.2m**

**73,404**



Total domestic properties at 31/3/2019

**97.7%**

Collection rate

**436**



Housing completions within the Borough for 2018/2019



The borough council pays £53.92 per Band D tax bill to Internal Drainage Boards

- Office of the Police & Crime Commissioner for Norfolk £253.08 - 14%
- Borough Council of King's Lynn & West Norfolk £125.87 - 7%
- Parish/Town Council (Avg) £49.86 - 2.8%
- Special Expenses (Avg) £13.64 - 0.7%
- Norfolk County Council - Non Adult Social Care £1266.19 - 70.2%
- Adult Social Care (NCC) £96.05 - 5.3%

**£35.1 million**

Amount paid out in Housing Benefits

Housing Benefit Caseload

**7,693**

**£9.2 million**

Amount paid out in Council Tax Support

Council Tax Support Caseload

**10,077**

Number of people presenting for housing advice

**1,653**

of which 489 were homelessness applications

\* based on figures provided by Office of National Statistics (ONS) 2017 Mid-Year Estimates

Borough Council of King's Lynn & West Norfolk



## Local Economy

As at 31 March 2019 the borough is home to 6,062 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 have 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.

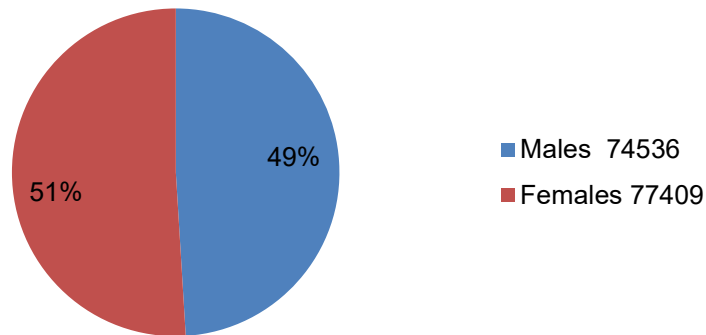
The past year has seen mixed fortunes for the two strategic assets of national and international importance which are based in the borough. In June, RAF Marham saw the arrival of the first squadron of F-35 Lightning II aircraft and this became operational by the end of the year. The capital infrastructure works costing over £500 million to support the new aircraft were completed during the year, and will support the arrival of further squadrons in subsequent years. It is expected that this will secure the future of the base, and its economic contribution to the area for at least 25 years. The future of the Construction Industry Training Board and the National Construction College in West Norfolk now looks uncertain. The organisation has announced plans to cease all operations in West Norfolk by the end of 2019. This is likely to result in significant redundancies but also opportunities for a number of businesses which might acquire parts of the operation. The borough council will work with partners to try to soften the impact of any redundancies and to try to encourage any 'successor' businesses which do acquire parts of the operation to retain their activities in West Norfolk.

It is estimated that the total number of visitors to West Norfolk comprises approximately 527,200 visitors staying at least one night and around 8.87 million people making leisure day trips. These visitors are estimated to spend nearly £410 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 £544 million annually. This in turn is estimated to support 10,632 jobs (7,889 full time equivalent jobs) which is estimated to represent around 18.3% of all employment in the local economy. (Figures taken from *The Economic Impact of Tourism – 2017* results, produced by Destination Research).

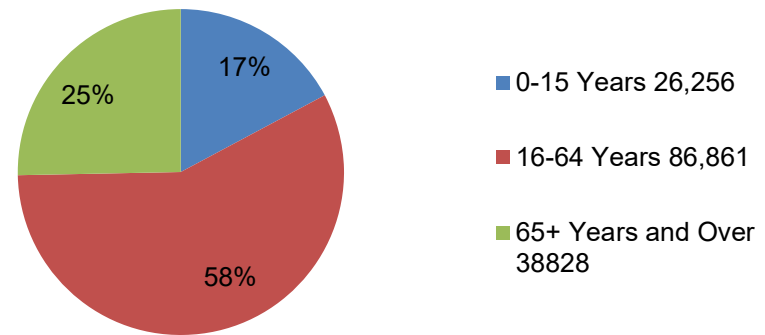
## Population

The population of West Norfolk was estimated at 151,945 (Office of National Statistics (ONS) 2017 Mid-Year Estimates).

### Population by Gender



### Age Profile of Population



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:for Skills and Training and Health and Disability West Norfolk ranks 67th out of 324; for Health and Disability West Norfolk ranks 71<sup>st</sup>.

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

As at 31 March 2019 there were 62 councillors elected to represent the people of West Norfolk, the political make-up of the Council was:

- Conservative – 45 Councillors
- Independent – 8 Councillors
- Labour – 7 Councillors
- Non Aligned – 1 Councillor
- Vacancy – 1 Councillor

The Borough Council elections were held on 2 May 2019 and 55 councillors were elected to represent the people of West Norfolk. The total number of councillors has reduced following a review of electoral wards undertaken during 2017 and approved by the Local Government Boundary Commission.

As at 31 March 2019 the current political make-up of the Council is as follows:

- Conservative – 28 Councillors
- Independent – 15 Councillors
- Labour – 10 Councillors
- Green – 1 Councillor
- Liberal Democrat – 1 Councillor

Councillor Brian Long is the Leader of the Council.

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 as at 31 March 2019 as detailed below:

- 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

These responsibilities have been revised following the Borough elections on 2 May 2019 as detailed below:

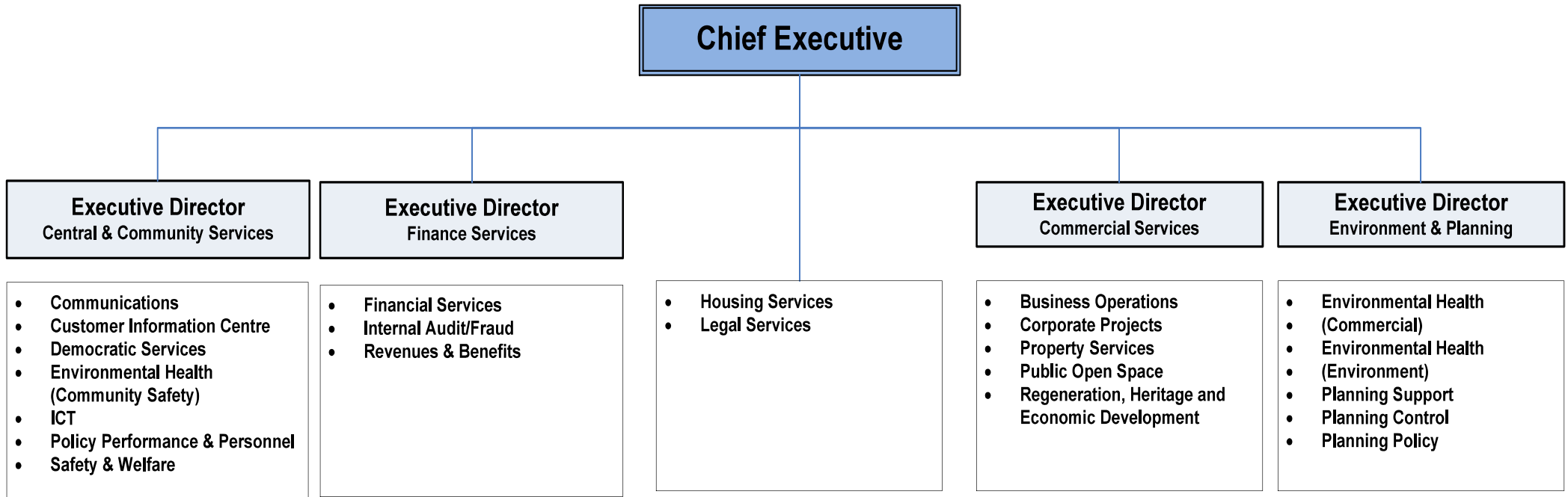
- Leader of the Council
- Deputy leader and Portfolio Holder for Culture, Heritage and Health
- Portfolio Holder for Project Delivery
- Portfolio Holder for Development
- Portfolio Holder for Environment
- Portfolio Holder for Housing
- Portfolio Holder for Commercial Services
- Portfolio Holder for Business 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.

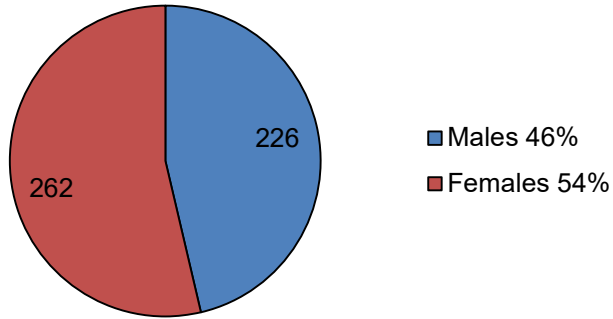
Further details on how the Council is run and how decisions are taken can be found on the Council's website on the home page under the heading "Council and Democracy."

## Our People

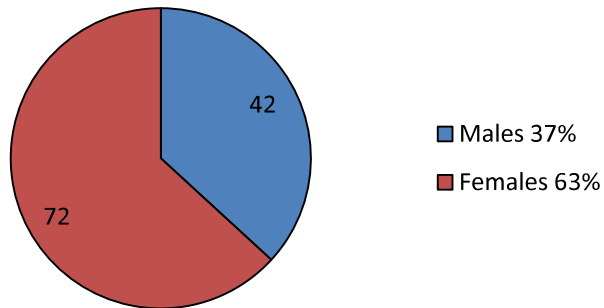
The organisational structure of the Council is headed by the Corporate Management Team which consists of the Chief Executive and four Executive Directors.



The Council's permanent establishment is currently 488 posts of which 348 are full time and 140 are part time, giving an establishment FTE of 450.75. As at 31<sup>st</sup> March 2019 the headcount (ie number of people in post) is 462.



In addition, the Council's wholly owned local Council leisure company, Alive Management Ltd had a permanent establishment of 114, equivalent to 81.54 FTE (including those posts jointly employed with Alive Leisure) at 31<sup>st</sup> March 2019. The actual number of staff employed was 110.



## **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 2016.

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

The current Corporate Business Plan covers the period up to 2019/20. A new Corporate Business Plan for the 4 year period 2020/21 to 2024/25 will be drawn up, consulted upon and adopted during 2019/20.

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 2018/2019 will be considered by the Corporate Performance Panel on 22 July 2019 and will be available on the Council's website.

The plan outlines six priority aims, supported by 18 key objectives in areas of key importance to the Council. These are summarised on the next page.



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 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 February 2019 of £16,354,480, a pension lump sum reimbursement of £1,415,000 and intended to move £578,090 to its General Fund balance, to give a Budget Requirement of £18,347,570.

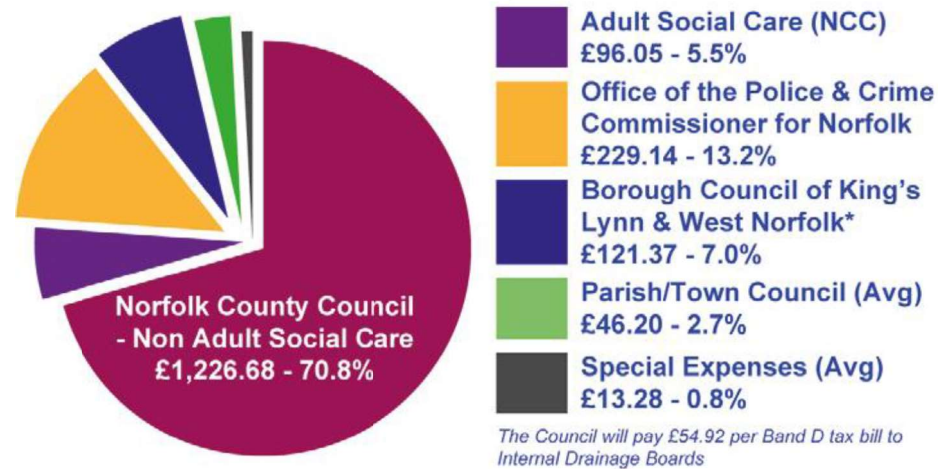
The outturn position for the year shows expenditure of £16,344,229, a pension lump sum reimbursement of £1,415,000 and a transfer of £588,341 to the General Fund Balance thereby meeting the Budget Requirement of £18,347,570. The movement of the General Fund balance is detailed below. The outturn position is incorporated within the Comprehensive Income and Expenditure Statement, deficit on provision of services.

	Original Budget 2018/2019		Revised Budget February 2019		Actual Outturn 2018/2019	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance brought forward</b>		<b>(5,737)</b>		<b>(5,737)</b>		<b>(5,737)</b>
Expenditure in the year	16,841		16,354		16,344	
Budget Requirement	18,256		18,347		18,347	
Reimbursement of lump sum Pension Payment		(1,415)		(1,415)		(1,415)
(Surplus)/ for year		0		(578)		(588)
<b>Balance carried forward</b>		<b>(7,152)</b>		<b>(7,730)</b>		<b>(7,740)</b>
Adjustments required after reporting the outturn to Cabinet						130
<b>Balance carried forward</b>						<b>(7,610)</b>

The revenue outturn for 2018/2019 is detailed below. The Revenue Outturn will be reported to Cabinet on 18 June 2019.

<b>Revenue Outturn</b>	<b>Revised Estimate 2018/19 £</b>	<b>Actual Outturn 2018/19 £</b>	<b>(Surplus)/ Deficit £</b>
Corporate	(1,174,570)	(518,513)	656,057
Democracy	1,458,730	1,442,832	(15,898)
<b>Services Areas:</b>			
Central and Community Services	1,235,100	2,754,776	1,519,676
Chief Executive	1,520,570	1,530,985	10,415
Commercial Services	4,309,950	5,559,233	1,249,283
Environment and Planning	2,111,560	2,010,996	(100,564)
Finance Services	2,566,220	2,631,989	65,769
<b>Service Area Totals</b>	<b>12,027,560</b>	<b>15,412,298</b>	<b>3,384,738</b>
Financing Adjustment	1,568,360	(1,825,832)	(3,394,192)
Internal Drainage Boards	2,714,880	2,714,860	(20)
Council Tax Support to Parishes	43,680	42,903	(777)
<b>Subtotal</b>	<b>16,354,480</b>	<b>16,344,229</b>	<b>(10,251)</b>
Reimbursement of lump sum Pension Payment	1,415,000	1,415,000	0
Contribution to Balances as reported in February 2019	578,090	578,090	0
<b>Borough spend for 2018/2019</b>	<b>18,347,570</b>	<b>18,337,319</b>	<b>(10,251)</b>
Additional contribution to Balances	0	10,251	10,251
<b>Revenue Outturn 2018/2019</b>	<b>18,347,570</b>	<b>18,347,570</b>	<b>0</b>

The Borough Council element of the full council tax bill in 2018/2019 for a Band D property is £121.37 out of a total of £1,732.72 charged per property (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 2018/2019 the Borough Council's charge forms a very small part of the bill (7%) collected from every council tax payer.



**Our Key achievements during 2018/2019 include:**

The programme of housing development at the Nar Ouse site, known as Nar Valley, continued during 2018/2019. 23 units on phase 3 were sold during 2018/2019 and phase 3 reached practical completion at the end of May 2019, 12 units remain to be sold, of which 3 are reserved. The joint venture with Norfolk County Council has delivered 162 new homes built in three phases.



Aerial view of Nar Valley Park

The council has secured funding through the Accelerated Construction Programme, established by Central Government to support local authorities to unlock barriers to delivery on public sector land on which housing can be delivered. The grant funding requires that local authorities seek to bring forward schemes that can be at the agreed pace, use modern methods of construction and promote diversification in the industry. The funding relates to up to 7 sites and is subject to final negotiations and terms with Homes England.

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 Nar Ouse Regeneration Area (NORA) in King's Lynn. National housing developer Lovell was appointed in October 2014 to act as our developer partner. A total of 130 units have been developed on the Marsh Lane site which is due to complete in October 2019 and 67 units were sold in 2018/2019. Construction on Lynnsport Phases 4 and 5 is underway and due to complete in early 2020. Thirteen units were sold in 2018/2019. Lynnsport Phase 3 commenced on site on 1 May 2019 and completion of the first units are expected in the spring of 2020.



Drone photograph of Marsh Lane



Drone photograph of Lynnsport Phases 4 and 5

Relocation of the high voltage power cables and the gas main on the Enterprise Zone at NORA were completed in 2018. These works will allow for a more flexible design layout of the site. The next stage of development of the Enterprise Zone site will include infrastructure works and development of units.

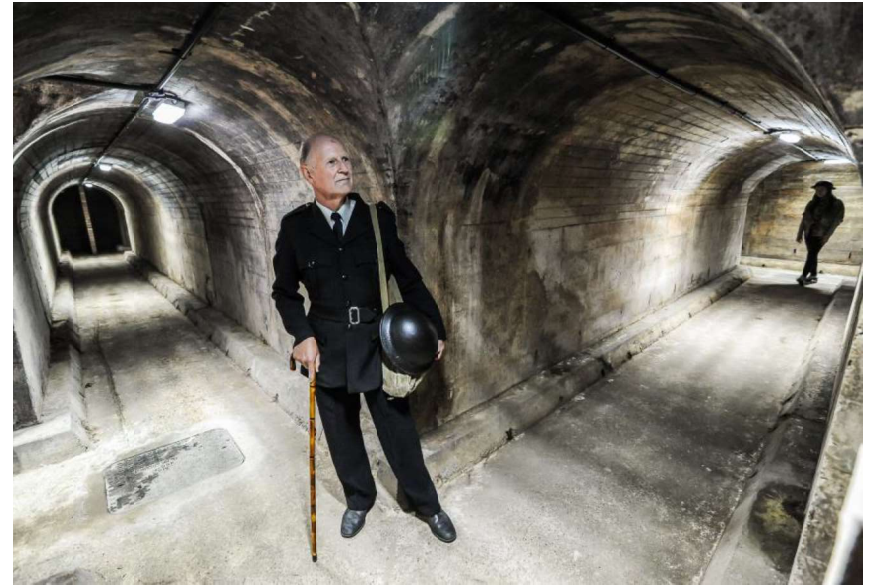


Relocation of gas main

The Council continues to offer an extensive programme of festival and events in conjunction with local businesses and organisations to attract people into West Norfolk and showcase our area. Details of the programme of events for 2019 can be found on the Council's website: <https://www.west-norfolk.gov.uk/events>



Mini meet – This was held in September. It was a chance for Mini owners, enthusiasts and fans to gather and appreciate the iconic Mini



Air raid shelter tours – at the Forties Lynn event held in July there was an opportunity to have a tour of the underground air raid shelters



Hanseatic ski race – an annual 2 day event held in August which is held in the Historic Quarter of Kings Lynn on the South Quay. An exciting event where racers reach speeds close to 100 mph



Hanse Festival – the 11<sup>th</sup> annual 2 day event held in May. An event to celebrate the town's rich and colourful Hanseatic heritage



Lynn Lumiere – an event that transformed the facades of six landmark buildings in King's Lynn. Light projections created by French artists illuminated these buildings in fun and thought provoking ways



Fawkes in the Walks – the famous free bonfire and fireworks display returned for its 10<sup>th</sup> anniversary, attracting thousands of visitors from both near and far

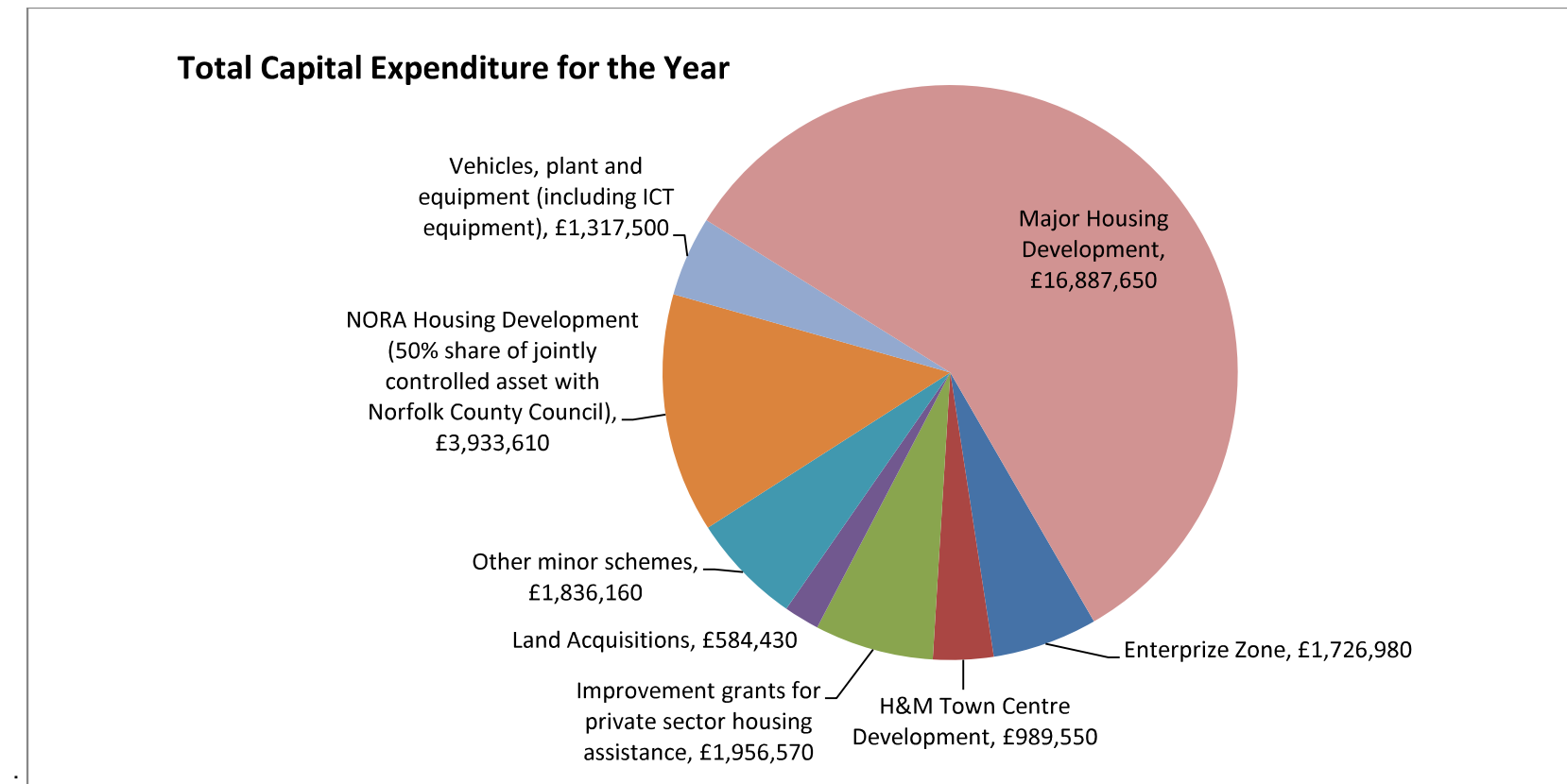


## Financial Performance – Capital

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 £29.2m on capital schemes. The areas of expenditure included





Major housing development - works underway at Lynnsport phases 4 and 5



The table below provides a summary of how we performed on the capital programme compared to budget:

<b>Capital Programme 2018/2019</b>					
<b>Scheme Title</b>	<b>Budget 2018/2019 £</b>	<b>Rephasing (to)from 2019/2020 £</b>	<b>Revised Budget 2018/19 £</b>	<b>Outturn 2018/2019 £</b>	<b>Variance from Revised Budget £</b>
<b>Major Projects</b>					
S106 Funded Projects	76,920	0	76,920	22,840	(54,080)
Other Major Projects	3,104,040	(288,820)	2,815,220	2,887,420	72,200
Enterprise Zone	2,659,500	(932,520)	1,726,980	1,726,980	0
Major Housing Development	20,352,520	(3,464,880)	16,887,640	16,887,650	10
NORA Housing Development *	3,910,000	0	3,910,000	3,933,610	23,610
<b>Total Major Projects</b>	<b>30,102,980</b>	<b>(4,686,220)</b>	<b>25,416,760</b>	<b>25,458,500</b>	<b>41,740</b>
<b>Operational Schemes</b>					
Central and Community Services	2,796,430	(340,410)	2,456,020	2,454,610	(1,410)
Chief Executive	0	0	0	0	0
Commercial Services	1,335,340	(73,380)	1,261,960	1,251,910	(10,050)
Environment and Planning	0	0	0	(930)	(930)
Finance Services	118,980	(50,620)	68,360	68,360	0
<b>Total Operational Schemes</b>	<b>4,250,750</b>	<b>(464,410)</b>	<b>3,786,340</b>	<b>3,773,950</b>	<b>(12,390)</b>
<b>Total Capital Programme</b>	<b>34,353,730</b>	<b>(5,150,630)</b>	<b>29,203,100</b>	<b>29,232,450</b>	<b>29,350</b>
<b>Exempt Schemes</b>	<b>6,885,000</b>	<b>(6,263,840)</b>	<b>621,160</b>	<b>625,540</b>	<b>4,380</b>

## King's Lynn Innovation Centre (KLIC)



In March 2014 the borough council entered into a Partnership Agreement with Norfolk and Waveney Enterprise Services Ltd (NWES) to facilitate the delivery of the King's Lynn Innovation Centre (KLIC). The partners to the agreement wanted the KLIC facility to be a high quality managed office facility that would “*support and encourage business start-ups to develop and innovate.*” The KLIC was constructed and opened in 2015. The building (at the time of writing this report) is fully let with a variety of businesses occupying space. It is considered to be a success and delivering its intended outputs.

To facilitate the funding of the KLIC project there has been variety of funding sources, namely:

- Borough Council Grant
- Borough Council Loan(s)
- New Anglia Local Enterprise Partnership Grant
- New Anglia Local Enterprise Partnership Loan
- NWES own finances

The initial Partnership Agreement contract between the council and NWES set out the intentions of the parties to deliver the KLIC facility and the funding arrangements. The Partnership Agreement also set out remedies for the council should NWES default in the repayment of any loan monies.

As part of the partnership arrangement, and to facilitate the construction of the KLIC building, a Loan Agreement was entered into between the Borough Council of King's Lynn and West Norfolk (the council) and NWES with the council borrowing funds from the New Anglia Local Enterprise

Partnership (NALEP). In essence NALEP loaned money to the borough council to onward lend to NWES. The loan agreements mirrored each other in terms of interest and loan repayment dates. The initial loan amount was £2,500,000.

NWES experienced cash flow issues during the construction of the KLIC during 2015/16 and the council subsequently provided an additional loan of £250,000. This additional loan facility mirrored the initial loan agreement; however this arrangement was separate to the arrangement NALEP.

During the course of the KLIC project additional contract documentation was drafted that flowed from the requirements of the Partnership Agreement. A number of contract documents were created, namely:

**Draft Ground Lease Agreement** [proposed to cover the lease arrangement for the site i.e. the borough council would retain freehold ownership of the site and NWES would lease the site for the KLIC building]

**Draft Legal Charge/Legal Mortgage Agreement** [proposed to cover the loan amounts between the borough council and NWES]

**Draft Option Agreement and Pre-Emption Agreement** [proposed to cover NWES having a legal right to acquire the freehold of the site of the KLIC building and the right of pre-emption in the event that the borough council wished to dispose of its freehold interest in the KLIC site i.e. to have the right to acquire the site before any other party]

**Draft Pre-Emption Agreement** [proposed to provide NWES the right to acquire a site adjacent to the KLIC site]

The aforementioned draft documents were produced by NWES's solicitors when the construction of the KLIC building was well advanced with the parties relying on the provisions of the Partnership Agreement in the interim.

When the draft documents were reviewed by the council's professional team concern was expressed about the documents being drafted in such a way that they did not sufficiently protect the council's interests. Lengthy negotiations over the terms subsequently ensued. The draft contract documents were not completed and rumours surfaced that the council's partner may be having financial difficulties.

The Partnership Agreement contract set out a repayment date for NWES to repay the loan amounts with accrued interest to the borough council with the date for repayment being 30<sup>th</sup> November 2018. The rumours about NWES's financial situation began circulating in April/May 2018.

The council, on hearing the rumours, made contact with NWES to ascertain if these rumours were valid or not. On contacting NWES it was revealed that senior staff within NWES had been temporarily replaced and discussions about their financial situation and the outstanding contract documentation with the interim senior executives commenced.

Both parties agreed that it was important to conclude the legal documentation as soon as was practical. It was further agreed that the Pre-Emption Agreement (for an adjacent site) and the Option and Pre-Emption Agreement (for the KLIC site) should be dispensed with, particularly as these were considered by the council's professional team to not be in the council's best interests.

In June 2018 the Ground Lease Agreement and the Legal Charge/Legal Mortgage Agreement were concluded.

On 30<sup>th</sup> November 2018 NWES defaulted on the loan repayment due to the council.

Following the loan repayment default the council met with NWES's new Chief Executive and its Board Members in December 2018 and attempted to resolve the outstanding debt issue. After some delay it became apparent that NWES was not in a position to repay the sums due.

Noting that NWES was not in a position to repay its debt owed to the council it was decided that the council needed to take positive action to recover the debt.

To protect the council's financial interests a Law of Property Act 1925 Receiver (LPA receiver) was appointed to act in respect of the outstanding loan amounts particularly with regard to the property. An LPA receiver is a receiver appointed under a mortgage or charge, typically in respect of property, and is appointed to realize the value of the asset for the benefit of the lender, or the beneficiary of the legal charge, in this case the borough council.

An LPA receiver has wide-ranging powers and the appointed receiver took control of the KLIC building on 25<sup>th</sup> April 2019. The LPA receiver transferred the KLIC building to the council on 5th June 2019. The KLIC building has been taken in part payment of the debt owed by NWES.

Prior to the appointment of the LPA receiver Savills Chartered Surveyors were jointly appointed by the Council and NWES to provide valuation advice in respect of the transfer value of the KLIC building.

In undertaking the valuation exercise Savills considered the respective values of the separate property interests held by the borough council and NWES and then apportioned the "marriage" value accordingly. Marriage value (or synergistic value) is a property sector definition for when two or more property interests are merged to create a new asset that has a higher value than the sum of the two individual property assets or property interests. Each party contributes to creating the higher value single asset and this increase in value tends to be apportioned between the parties and added to their individual, original asset value.

The appropriate transfer value of the KLIC building has been valued by Savills at £1,875,000.

The borough council now owns the freehold asset of the KLIC building and this is not "encumbered" by the NWES long Ground Lease interest. This unencumbered freehold interest has been valued by Savills at £2,380,000. This figure will be recorded within the Statement of Accounts for the borough council.

As can be seen from the above, the KLIC building value does not cover the total amount of the loans (plus interest and costs) owed to the council. This, therefore, leaves NWES with an outstanding debt that will need to be dealt with as an unsecured loan (see below).

During the course of discussions with NWES following their default on the loan repayment it has become apparent that NWES has borrowed significantly against all of its other property assets (held freehold) with there being fixed and floating charges against all of their property assets. This means that the Council has no way to secure the outstanding loan amounts against any assets "owned" by NWES. The council will therefore need to

set up an unsecured loan facility with NWES to deal with the remainder of their outstanding debt. The outstanding debt as at 31 March 2019 including accrued interest and legal costs is £1,120,752. Additional legal costs and interest continue to be accrued post 31 March 2019 and will be added to the outstanding debt. The overall debt owed by NWES to the council will be dealt with through a 'Settlement Agreement'. The 'Settlement Agreement' will be prepared by the council's legal advisers. A commercial loan interest rate will be levied on the outstanding unsecured loan amounts until such time as the outstanding loan is fully discharged.

The council is considering a proposed short-term interim management arrangement with NWES for the KLIC facility to ensure that there is as little disruption as possible to the tenants within the KLIC building. The council will then assess the most appropriate way forward for the future management arrangements. This may include tendering for third party service providers, or bringing the service in-house.

If NWES is employed to provide the interim management services for the KLIC building the assessed, appropriate management fee will not be paid to NWES it will be used to off-set any outstanding debt owed to the council by NWES. This will then reduce the debt owed by NWES to the council.

An internal audit review of the lessons learned from the KLIC project was undertaken by the council's internal audit team and the report was considered by the Audit Committee in March 2019. The Audit Committee determined that it would establish a working group to consider the internal audit report in more detail and to ensure that lessons learned are fully implemented. The working group has been reconvened following the recent borough elections. Full Council agreed to establish an independent inquiry into the partnership with NWES and that the Local Government Association (LGA) should be invited to undertake the inquiry. Terms of Reference for the independent inquiry and appointment of the chair of the Independent Enquiry from nominations put forward by the LGA was considered at the Cabinet meeting on 18 June 2019.

## **7 Current Economic Climate, Outlook and Risk**

In February 2019 the Council set out a Financial Plan for 2018/2023. Changes to the local government finance system are expected to include the phasing out of Revenue Support Grant (RSG) and changes to the distribution of New Homes Bonus. There will be a full reset of the business rates system in 2020/2021 which will allow full implementation of reforms to the Business Rates Retention Scheme and the outcome of the review into relative needs and resources, the Fair Funding Review. The Financial Plan for 2018/2023 was approved by Council on 22 February 2018.

The Financial Plan 2018/2023 shows that the Council can present a balanced budget 2019/2020 and a funded budget for the remaining years of the medium-term financial plan to 2023. However, there is still significant uncertainty from 2020/2021. The impact of the implementation of the reform of the 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.

The local government finance settlement announced by Government on 29 January 2019 confirms the fourth and final year of the 4-year offer. It should be noted that the 4 year offer only includes 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. This is a cautious approach.

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 implementation of reforms to the Business Rates Retention Scheme mean existing grants will be incorporated into business rate retention including the RSG and RSDG. The revised arrangements for business rates retention will not provide this Council with funding to replace the reductions announced in RSG. The review into relative needs and resources, the Fair Funding Review, will redistribute business rates. It can be anticipated that there will be winners and losers as a result of the funding review.

In preparing the Financial Plan 2018/2023 assumptions have been made on continued growth in business rates for 2019/2020. 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 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. 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. As at the end of November 2018 we had achieved actual ongoing annual savings of £1.4m. 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.

Work has been underway during the current financial year on securing the cost reduction/income generating targets identified as part of the budget setting process in February 2018. Even with the actual annual savings already achieved of £1.4m being included from 2020/2021 onwards in the Financial Plan 2018/2023 there is still a budget gap of £2.7m at the end of the medium-term plan. The budget gap may be higher depending on the impact of the reforms to the Business Rates Retention scheme and the Fair Funding Review. The delivery of the major corporate capital projects to generate additional/new income is vital in achieving the required budget savings.

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 2019/2023.

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 significant uncertainty and risk is from 2020/2021. There is no date set for the legislative changes for the implementation of the reforms to the Business Rates Retention Scheme. The announcement of a 75% scheme in February 2018 has added further uncertainty. The concern is that 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 for resource allocations under any new Business Rates Retention scheme. This Council will continue to make strong representations for fair and transparent funding arrangements for local government, which take account of the particular pressures of rural authorities and in the case of West Norfolk the funding arrangements to address the flood and drainage responsibilities met through the internal drainage boards.

### **Borrowing Facilities**

The Council will take 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 2018/2019 £900,600 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.

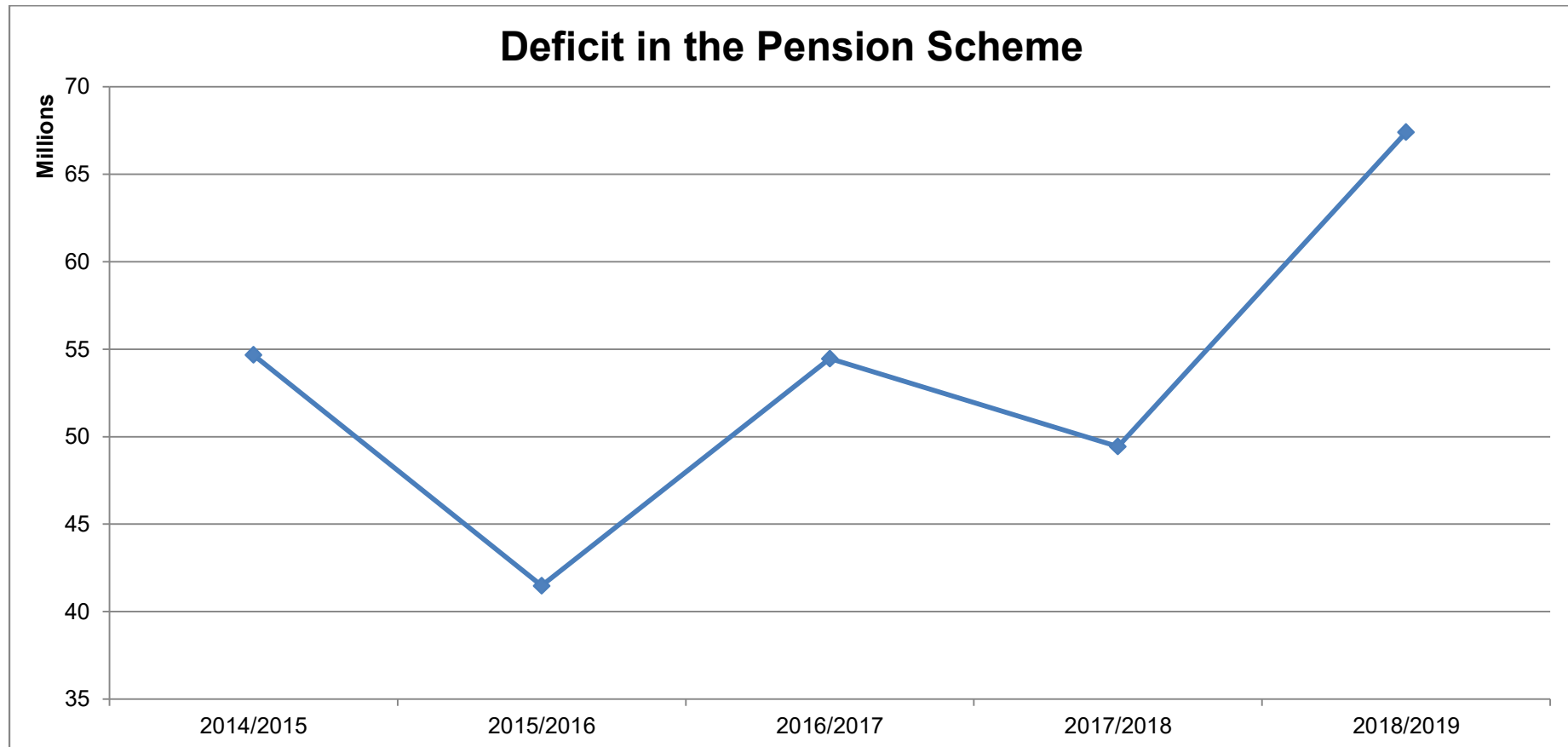
Temporary borrowing is included for cash flow purposes to ensure a balanced funding of the capital programme in each of the financial years and in advance of capital receipts. Internal borrowing will be used whenever it is most financially advantageous to do so. The actual required temporary borrowing 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 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 2018/2019 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 2018/2019 from the sale of properties. The capital receipts received in 2018/2019 from the sales of the new properties at Nar Valley have funded expenditure incurred in 2018/2019 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 2018/2019 and the estimated assets and liabilities of the scheme as at 31 March 2019. The pension fund deficit shown in the balance sheet as at 31 March 2019 stands at £67.4million. 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  
2018/2019

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (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 Council.

Note	Movements in Reserves during 2018/2019	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Usable Capital Receipts £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	<b>Balance at 1 April 2018 Brought Forward</b>	(5,737)	(22,705)	(4,855)	(1,067)	<b>(34,364)</b>	(99,209)	<b>(133,573)</b>
CIES	(Surplus)/Deficit on Provision of Services	5,536	0	0	0	<b>5,536</b>	0	<b>5,536</b>
CIES	Other Comprehensive Expenditure and Income	0	0	0	0	<b>0</b>	3,905	<b>3,905</b>
CIES	<b>Total Comprehensive Expenditure and Income</b>	<b>5,536</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,536</b>	<b>3,905</b>	<b>9,441</b>
7	Adjustments between Accounting Basis and Funding Basis under Regulations	(10,180)	0	(554)	228	<b>(10,506)</b>	10,506	<b>0</b>
	<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(4,644)</b>	<b>0</b>	<b>(554)</b>	<b>228</b>	<b>(4,970)</b>	<b>14,411</b>	<b>(9,441)</b>
8	Transfer to/from Reserves	2,771	(2,771)	0	0	<b>0</b>	0	<b>0</b>
	<b>(Increase)/Decrease in Year 2018/2019</b>	<b>(1,873)</b>	<b>(2,771)</b>	<b>(554)</b>	<b>228</b>	<b>(4,970)</b>	<b>14,411</b>	<b>(9,441)</b>
	<b>Balance at 31 March 2019 Carried Forward</b>	<b>(7,610)</b>	<b>(25,476)</b>	<b>(5,409)</b>	<b>(839)</b>	<b>(39,334)</b>	<b>(84,796)</b>	<b>(124,130)</b>

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

**The purposes of these reserves are:**

**General Fund Balance**

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

**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 8 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.

2017/2018			Note		2018/2019		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,633	(81)	7,552		Corporate Services	1,488	(179)	1,309
1,550	(200)	1,350		Democratic Services	1,600	(25)	1,575
				<u>Service Heads</u>			
5,813	(3,067)	2,746		Central and Community Services	9,575	(3,205)	6,370
2,360	(1,126)	1,234		Chief Executive Services	2,338	(1,054)	1,284
19,889	(14,080)	5,809		Commercial Services	24,702	(17,943)	6,759
4,023	(2,151)	1,872		Environment and Planning Services	4,657	(2,771)	1,886
40,866	(38,814)	2,052		Finance Services	40,603	(37,413)	3,190
<b>82,134</b>	<b>(59,519)</b>	<b>22,615</b>		<b>Cost of Services</b>	<b>84,962</b>	<b>(62,590)</b>	<b>22,372</b>
		4,813	9	Other Operating Expenditure			4,864
		814	10	Financing and Investment Income and Expenditure			1,633
		(20,375)	11	Taxation and Non-specific Grant Income			(23,333)
		<b>7,867</b>		<b>(Surplus)/Deficit on Provision of Services</b>			<b>5,536</b>
		(731)		Deficit/(Surplus) on revaluation of fixed assets			(8,351)
		(5,559)	20	Actuarial (gains)/losses on pensions assets/liabilities			12,256
		<b>(6,290)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>3,905</b>
		<b>1,577</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>9,441</b>

## Balance Sheet

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

31 March 2018			31 March 2019
£'000	Note		£'000
141,466	27	Property, Plant and Equipment	152,124
17,954	26	Heritage Assets	17,954
24,582	24	Investment Property	23,760
380	25	Intangible Assets	529
4,044	36	Long Term Investments	10,000
1,725	31	Long Term Receivables	1,929
<b>190,151</b>		<b>Long Term Assets</b>	<b>206,296</b>
6,062	36	Short Term Investments	150
81		Inventories	101
10,919	30	Short Term Receivables	8,065
4,103	14	Cash and Cash Equivalents	5,496
2,024	29	Assets Held for Sale	934
<b>23,189</b>		<b>Current Assets</b>	<b>14,746</b>
(2,031)	34	Provisions	(2,132)
(3,769)	36	Short Term Borrowing	(3,199)
(13,887)	32	Short Term Payables	(13,924)
<b>(19,687)</b>		<b>Current Liabilities</b>	<b>(19,255)</b>
(90)	35	Grants Receipts in Advance	(12)
(10,300)	36	Long Term Borrowing	(10,000)
(257)		Other Long Term Liabilities	(247)
(49,433)	20	Pension Liabilities	(67,398)
<b>(60,080)</b>		<b>Long Term Liabilities</b>	<b>(77,657)</b>
<b>133,573</b>		<b>Net Assets</b>	<b>124,130</b>
34,364	MIR	Usable Reserves	39,334
99,209	13	Unusable Reserves	84,796
<b>133,573</b>		<b>Total Reserves</b>	<b>124,130</b>



I certify that the statement of accounts gives a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019. These financial statements replace the unaudited statements certified by Lorraine Gore on 17 June 2019.



Michelle Drewery  
Assistant Director - Resources (S151 Officer)  
29<sup>th</sup> January 2021

## Cash Flow Statement

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

<b>2017/2018</b>	<b>Note</b>		<b>2018/2019</b>
£'000			£'000
(7,867)	CIES	Net Surplus or (Deficit) on the Provision of Services	(2,387)
12,096		Adjust to Surplus or Deficit on the Provision of Services for Non-Cash Movements	33,615
163,665		Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(14,828)
<b>167,894</b>		<b>Net Cash flows from Operating Activities</b>	<b>16,400</b>
(167,956)		Investing Activities	(13,674)
(174)		Financing Activities	(1,333)
<b>(236)</b>		<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>1,393</b>
4,339		Cash and Cash Equivalents at the beginning of the Reporting Period	4,103
<b>4,103</b>	<b>14</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>5,496</b>

# 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.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
3,150	4,402	7,552	Corporate Services	(2,041)	3,350	1,309
1,313	37	1,350	Democracy	1,443	132	1,575
183	2,563	2,746	Central & Community Services	593	5,777	6,370
1,157	78	1,235	Chief Executive	1,204	80	1,284
2,228	3,580	5,808	Commercial Services	5,688	1,071	6,759
1,728	144	1,872	Environment & Planning	2,048	(162)	1,886
2,160	(108)	2,052	Finance Service	2,564	626	3,190
<b>11,919</b>	<b>10,696</b>	<b>22,615</b>	<b>Net Cost of Services</b>	<b>11,499</b>	<b>10,873</b>	<b>22,372</b>
(8,911)	(5,837)	(14,748)	<b>Other Income and Expenditure</b>	(13,372)	(3,464)	(16,836)
3,008	4,859	7,867	<b>Surplus or Deficit</b>	(1,873)	7,409	5,536
(8,745)			<b>Opening General Fund Balance as at 1 April 2018</b>	(5,737)		
3,008			<b>Surplus/(Deficit) on General Fund in year</b>	(1,873)		
<b>(5,737)</b>			<b>Closing General Fund Balance as at 31 March 2019</b>	<b>(7,610)</b>		

**1a Note to the Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature**

<b>2018/2019</b>	<b>Adjustments for capital Purposes</b>	<b>Net change for the Pensions Adjustment</b>	<b>Transfer to Earmarked Reserves</b>	<b>Adjustments for Investment Properties</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
Corporate Services	(2,904)	(387)	(163)		104	<b>(3,350)</b>
Democracy	0	(109)	(23)			<b>(132)</b>
Central & Community Services	(5,212)	(740)	175			<b>(5,777)</b>
Chief Executive	(6)	(186)	112			<b>(80)</b>
Commercial Services	(1,597)	(1,169)	772	923		<b>(1,071)</b>
Environment & Planning	(8)	(531)	701			<b>162</b>
Finance Services	(138)	(541)	53			<b>(626)</b>
<b>Net Cost of Services</b>	<b>(9,864)</b>	<b>(3,663)</b>	<b>1,627</b>	<b>923</b>	<b>104</b>	<b>(10,873)</b>
<b>Other Income and Expenditure</b>	<b>4,903</b>	<b>(2,046)</b>	<b>1,144</b>	<b>(923)</b>	<b>386</b>	<b>3,464</b>
<b>Surplus or Deficit</b>	<b>(4,961)</b>	<b>(5,709)</b>	<b>2,771</b>	<b>0</b>	<b>490</b>	<b>(7,409)</b>
<b>2017/2018</b>	<b>Adjustments for capital Purposes</b>	<b>Net change for the Pensions Adjustment</b>	<b>Transfer to Earmarked Reserves</b>	<b>Adjustments for Investment Properties</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
Corporate Services	4,765	(19)	(289)	0	(55)	<b>4,402</b>
Democracy	0	(22)	59	0	0	<b>37</b>
Central & Community Services	2,235	(157)	485	0	0	<b>2,563</b>
Chief Executive	6	(42)	114	0	0	<b>78</b>
Commercial Services	2,033	(137)	937	747	0	<b>3,580</b>
Environment & Planning	7	(115)	252			<b>144</b>
Finance Services	38	(109)	(37)	0	0	<b>(108)</b>
<b>Net Cost of Services</b>	<b>9,084</b>	<b>(601)</b>	<b>1,521</b>	<b>747</b>	<b>(55)</b>	<b>10,696</b>
<b>Other Income and Expenditure</b>	<b>(8,058)</b>	<b>1,404</b>	<b>733</b>	<b>(747)</b>	<b>831</b>	<b>(5,837)</b>
<b>Surplus or Deficit</b>	<b>1,026</b>	<b>803</b>	<b>2,254</b>	<b>0</b>	<b>776</b>	<b>4,859</b>

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

The Council's expenditure and income is analysed as follows:

2017/18 £'000		2018/2019 £'000
(21,467)	Fees, Charges & Other Service Income	(23,183)
(996)	Interest and Investment Income	(1,171)
(8,756)	Income from Council Tax	(9,186)
(16,888)	Income from Retained Business Rates	(20,476)
(50,493)	Government Grants and Contributions	(47,697)
<b>(98,600)</b>	<b>Total Income</b>	<b>(101,713)</b>
18,819	Employee Expenses	19,122
55,613	Other Service Expenses	53,556
11,449	Business Rates Tariff and Levy	12,377
4,240	Support Service Recharges	3,070
9,674	Depreciation, Amortisation and Impairment	11,456
1,859	Interest Payments	1,881
5,536	Precepts & Levies	5,700
0	Net (Gains) and Losses on Fair Value Adjustments on Investment Property	923
(723)	[Gain/Loss] on Disposal of Non-Current Assets	(836)
<b>106,467</b>	<b>Total Expenditure</b>	<b>107,249</b>
<b>7,867</b>	<b>Surplus/Deficit on the Provision of Services</b>	<b>5,536</b>

## 2. Restatements – Prior Period Adjustments

There are no prior period adjustments within the Statement of Accounts for 2018/2019.

### **3. Accounting Standards Issued, Not Adopted**

The Code of Practice on Local Council 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 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities. CIPFA LASAAC have deferred implementation for local government to 1 April 2021.
- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This is not expected to have any impact on the single entity or group accounts.
- IFRS 9 Financial Instruments: prepayment features with negative compensation amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

### **4. Events after the Reporting Period**

The Statement of Accounts was authorised for issue by the Assistant Director - Resources (S151 Officer) on 30 July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were 'furloughed' on 80% of their existing salary paid by central government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did not exist at the 31 March 2019 this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019, particularly with regards to financial impact for 2019/20 and future years and asset impairments, provision for impairment on receivables and pension valuations as at the balance sheet date.

## 5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 109 to 131 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

## 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. The net book value of the Council's property, plant and equipment assets is £165m as at 31 March 2019. Of this, £61m relates to land which is not subject to depreciation and is considered to have an infinite life. Vehicle, plant and equipment assets account for £4.9m 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 £240,090 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 £247,871 and the value of the asset decrease.



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>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 £22.3 million; a 0.5% increase in the salary increase rate would lead to an increase of 2% in employer liability and cost £3.4 million and a 0.5% increase in the pension increase rate would increase employer liability by 8% and cost £18.6 million.</p> <p>However, the assumptions interact in complex ways. The carrying value on the Balance Sheet of Pensions Liability as at 31 March 2019 was £67.4 million.</p>
Arrears	<p>At 31 March 2019, the Council had a balance of sundry receivables of £3,346,979 (£4,100,746 31 March 2018). A review of significant balances suggested that an allowance for doubtful debts of 46% £1,544,468 (£1,699,419 2017/2018) was appropriate. However, in the current economic climate it is considered that the allowance in doubtful debts should not be reduced and has been retained at £1,699,419 which represents 50% of the balance as at 31 March 2019.</p>	<p>The doubtful debt to allowance has been retained at the same level as 2017/2018 which provides £143,000 allowance above the calculated requirement. If the collection rated were to deteriorate the percentages included in calculating the bad debt allowance would need to be reviewed. If 100% cover was allowed in housing benefits the allowance would increase by £189,000.</p>
Business Rate Appeals	<p>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 2019. 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 2019.</p>	<p>If the average success rate of NNDR appeals was to increase by 1% the Council would have to increase its NNDR appeals provision by an immaterial sum.</p>

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 EIES 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.

General Fund Balance	2017/2018 Usable Reserves		Movement in Unusable Reserves		2018/2019 Usable Reserves			Movement in Unusable Reserves
	Usable Capital Receipts	Capital Grants Unapplied			General Fund Balance	Usable Capital Receipts	Capital Grants Unapplied	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				<b>Adjustments Involving the Capital Adjustment Account</b>				
				<b>Reversal of items Debited/(Credited) to the CIES:</b>				
(6,811)	0	0	6,811	Charges for Depreciation and Impairment of Non-Current Assets	(6,722)	0	0	6,722
(3,190)	0	0	3,190	Revaluation Losses on Property, Plant and Equipment	(739)	0	0	739
49	0	0	(49)	Movements in the Market Value of Investment Properties	(923)	0	0	923
0	0	0	0	Reverse Impairments in the year from Revaluation Increase	(525)	0	0	525
(151)	0	0	151	Amortisation of Intangible Assets	(109)	0	0	109
(1,242)	0	0	1,242	Revenue Expenditure Funded from Capital under Statute	(1,700)	0	0	1,700
(3,647)	0	0	3,647	Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(18,869)	0	0	18,869
(61)	0	0	61	Soft Loans – Adjustments	(51)	0	0	51
1,475	0	0	(1,475)	Capital Grants and Contributions Applied	1,376	0	0	(1,376)
				<b>Insertion of items not Debited/(Credited) to the CIES</b>				
294	0	0	(294)	Statutory Provision for the Financing of Capital Investment	281	0	0	(281)
946	0	0	(946)	Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	935	0	0	(935)
2,106	0	0	(2,106)	Capital Expenditure charged against the General Fund	2,330	0	0	(2,330)
11	0	0	(11)	Principal repayment of finance Leases where the Council is the lessee	11	0	0	(11)
				<b>Adjustment primarily involving the Capital Grants Unapplied Account</b>				
0	0	70	(70)	Application of Grants to Capital financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute	0	0	556	(556)
0	0	(204)	204	Capital Grants & Contributions unapplied credit to the Comp I & E	0	0	(328)	328

General Fund Balance	2017/2018 Usable Reserves		Movement in Unusable Reserves		2018/2019 Usable Reserves			
	Usable Capital Receipts	Capital Grants Unapplied			General Fund Balance	Usable Capital Receipts	Capital Grants Unapplied	Movement in Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				<b>Adjustment Primarily Involving the capital Receipts Reserve</b>				
4,345	(4,345)	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal of the CIES	19,695	(19,695)	0	0
0	3,375	0	(3,375)	Use of Capital Receipts Reserve to Finance New Capital Expenditure	0	19,190	0	(19,190)
70	(70)		0	Repayment of improvement Grant and Release of Covenant	49	(49)	0	0
				<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>				
97	0	0	(97)	Amount by which Finance Costs Charged to the CIES are different from Finance Costs Chargeable in the Year (in accordance with statutory requirements)	90	0	0	(90)
				<b>Adjustments Involving the Pensions Reserve:</b>				
(7,054)	0	0	7,054	Reversal of items relating to Post-Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES	(7,941)	0	0	7,941
6,522	0	0	(6,522)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	2,232	0	0	(2,232)
				<b>Adjustments Involving the Collection Fund Adjustment Account:</b>				
131	0	0	(131)	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)	50			(50)
(1,058)	0	0	1,058	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)	336			(336)
				<b>Adjustment Involving the Accounting Compensated Absences Adjustment Account:</b>				
55	0	0	(55)	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)	14	0	0	(14)
<b>(7,113)</b>	<b>(1,040)</b>	<b>(134)</b>	<b>8,287</b>	<b>Total Adjustments</b>	<b>(10,180)</b>	<b>(554)</b>	<b>228</b>	<b>10,506</b>

## 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 2018/2019.

	Balance as at 31 March 2017 £'000	Transfer Out 2017/2018 £'000	Transfer In 2017/2018 £'000	Balance as at 31 March 2018 £'000	Transfer Out 2018/2019 £'000	Transfer In 2018/2019 £'000	Balance as at 31 March 2019 £'000
<b>General Fund:</b>							
Amenity Areas Reserve	273	(15)	1	259	0	2	261
Capital Programme Resources Reserve	8,676	(1,645)	2,743	9,774	(2,567)	3,506	10,713
West Norfolk Partnership	307	(21)	635	921	0	82	1,003
Insurance Reserve	273	(38)	15	250	(58)	10	202
Restructuring Reserve	750	(226)	0	524	(46)	0	478
Repairs and Renewals Reserve	991	(334)	456	1,113	(231)	213	1,095
Holding Accounts	2,579	(922)	301	1,958	(182)	823	2,599
Ring Fenced Reserve	1,273	(159)	361	1,475	(479)	680	1,676
Planning Reserve	528	(34)	0	494	(213)	127	408
Grants Reserves	2,648	(33)	317	2,932	(206)	183	2,909
Collection Fund Adjustments	2,153	(336)	773	2,590	(25)	1,133	3,698
Project Reserves	0	0	415	415	0	17	432
<b>Total</b>	<b>20,451</b>	<b>(3,763)</b>	<b>6,017</b>	<b>22,705</b>	<b>(4,007)</b>	<b>6,776</b>	<b>25,474</b>

## **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: £394,627 housing reserves, £361,429 Homelessness Projects, £248,522 reserves for cleansing and refuse/recycling, £109,616 Legal Commissioning Reserve, £252,633 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 Council 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

2017/2018		2018/2019
£'000		£'000
2,862	Parish Council Precepts	2,985
2,674	Levies	2,715
0	Payments to the Government Housing Capital Receipts Pool	0
(723)	Net (Gains) on the Disposal of Non-current Assets	(836)
<b>4,813</b>		<b>4,864</b>

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

2017/2018		2018/2019
£'000		£'000
455	Interest Payable and similar charges	489
1,404	Net Interest on the net defined Benefit Liability (Asset)	1,392
(292)	Interest (Receivable) and similar income	(701)
(49)	Net (Gains) and Losses on Fair Value Adjustments on Investment Properties	923
(704)	Net (Income) from Investment Properties)	(470)
<b>814</b>		<b>1,633</b>

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

2017/2018		2018/2019
£'000		£'000
(8,756)	Council Tax (Income)	(9,186)
(6,967)	Non-domestic Rates (Income and Expenditure)	(10,529)
(4,652)	Non-ringfenced Government Grants (Income)	(2,999)
-	Government Grants and Contributions	(619)
<b>(20,375)</b>		<b>(23,333)</b>

## 12. Comprehensive Income and Expenditure Statement – Material Item of Income and Expenditure 2018/2019

In 2018/2019 an increase in the defined benefits Pension obligation of £23,327,000 and an increase in the fair value of Assets of £5,362,000 have decreased the authority's Pensions liabilities to £67,398,000.

In 2018/2019 the council received £35,296,944 from the Department of Works and Pensions towards the cost of Housing Benefits payments. During the same period, the council spent £35,947,508 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 [46].

### Unusable Reserves

<b>2017/2018</b>		<b>2018/2019</b>
<b>£'000</b>		<b>£'000</b>
(61,627)	Revaluation Reserve	(68,840)
(86,835)	Capital Adjustment Account	(82,684)
418	Financial Instruments Adjustment Account	327
49,433	Pensions Reserve	67,398
(752)	Collection Fund Adjustment Account	(1,137)
154	Accumulating Compensated Absences Adjustment Account	139
<b>(99,209)</b>		<b>(84,796)</b>

## 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.

<b>2017/2018</b>		<b>2018/2019</b>
<b>£'000</b>		<b>£'000</b>
<b>(61,847)</b>	<b>Balance at 1 April</b>	<b>(61,627)</b>
(899)	Upward Revaluation of Assets	(8,502)
302	Impairment Losses	155
(597)	In Year surplus on revaluation of non-current assets	(8,347)
722	Difference between Fair Value Depreciation and Historical Cost Depreciation	698
95	Accumulated Gains on Assets Sold or Scrapped written off to the Capital Adjustment Account	436
817	In Year amounts written out to the Capital Adjustment Account	1,134
<b>(61,627)</b>		<b>(68,840)</b>

## 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.

2017/2018 £'000		2018/2019 £'000
<b>(92,865)</b>	<b>Balance at 1 April</b>	<b>(86,835)</b>
0	Opening Balance Adjustment	0
3,052	Charges for Depreciation and Impairment of Non-Current Assets	2,721
1,987	Charges for Impairment of Non-Current Assets – Property, Plant and Equipment	2,795
6	Charges for Impairment of Non-Current Assets – Heritage Assets	0
1,701	Derecognition of Assets	0
3,202	Revaluation Losses on Property, Plant and Equipment	2,410
(12)	Reverse Impairments in year from Revaluation Increase	525
151	Amortisation of Intangible Assets	109
1,242	Revenue Expenditure Funded from Capital Under Statute (Net)	1,700
2,376	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	17,396
1,270	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	1,005
1	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	0
(754)	Adjusting Amounts Written out of the Revaluation Reserve	(1,135)
(140)	Capital Grants and Contributions Credited to the CIES that have been applied to Capital Financing	(579)
(1,335)	Capital Grants from reserves applied to Capital Financing	(1,025)
(3,374)	Application of Capital Receipts	(19,187)
(2,106)	Capital Expenditure Charged Against the General Fund	(2,330)
(294)	Statutory Provision for the Financing of Capital Investment charged against the General Fund Balance	(281)
(946)	Additional Provision for the Financing of Capital Investment relating to Internal Repayment of Prudential Borrowing	(935)
(49)	Movements in the Market Value of Investment  Properties Debited/(Credited) to the CIES	923
(11)	Principal repayment of Finance Leases where the Council is the lessee	(11)
63	Soft Loans – Principal repaid	51
<b>(86,835)</b>		<b>(82,684)</b>

### 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.

<b>2017/2018</b>		<b>2018/2019</b>
<b>£'000</b>		<b>£'000</b>
<b>515</b>	<b>Balance at 1 April</b>	<b>418</b>
(97)	In Year fair value adjustment of Private Sector Housing Loans	(91)
<b>418</b>	<b>Balance at 31 March</b>	<b>327</b>

### 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.

<b>2017/2018</b>		<b>2018/2019</b>
<b>£'000</b>		<b>£'000</b>
<b>54,460</b>	<b>Balance at 1 April</b>	<b>49,433</b>
(5,559)	Actuarial (Gains)/Losses on Pensions Assets and Liabilities	(12,256)
7,054	Reversal of items relating to Retirement Benefits on the Provision of Services in the CIES	32,453
(6,522)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(2,232)
<b>49,433</b>	<b>Balance at 31 March</b>	<b>67,398</b>

### 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.

<b>Council Tax</b>	<b>NNDR</b>	<b>Total</b>		<b>Council Tax</b>	<b>NNDR</b>	<b>Total</b>
<b>2017/2018</b>	<b>2017/2018</b>	<b>2017/2018</b>		<b>2018/2019</b>	<b>2018/2019</b>	<b>2018/2019</b>
£'000	£'000	£'000		£'000	£'000	£'000
<b>(165)</b>	<b>(1,513)</b>	<b>(1,678)</b>	<b>Balance at 1 April</b>	<b>(295)</b>	<b>(457)</b>	<b>(752)</b>
(130)	0	(130)	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	(50)	0	(50)
0	1,056	1,056	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	0	(336)	(336)
<b>(295)</b>	<b>(457)</b>	<b>(752)</b>	<b>Balance at 31 March</b>	<b>(345)</b>	<b>(793)</b>	<b>(1,137)</b>

### 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.

<b>2017/2018</b>		<b>2018/2019</b>
£'000		£'000
<b>209</b>	<b>Balance at 1 April</b>	<b>154</b>
(209)	Settlement or cancellation of accrual made at the end of the preceding year	(154)
154	Amounts accrued at the end of the current year	139
<b>154</b>	<b>Balance at 31 March</b>	<b>139</b>

## 14. Cash and Cash Equivalents

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

2017/2018 £'000		2018/2019 £'000
9	Cash held by Officers	9
1,596	Bank Current Accounts	2,932
2,498	Short Term Deposits	2,555
<b>4,103</b>	<b>Total Cash and Cash Equivalents</b>	<b>5,496</b>

## 15. Agency Services

The Council 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 Council also provides CCTV Services on behalf of Breckland District Council. These services are provided at cost plus an allowance for overheads.

	2017/2018 £'000	2018/2019 £'000
Charge for Service:		
Grass Cutting Service	52	54
Care and Repair Service	255	180
Car Park Management Services	674	849
CCTV Services	144	144
	<b>1,125</b>	<b>1,227</b>

## 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 2018/2019.

## 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 NORA.

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 reached practical completion at the end of May 2019. This Council is the Accountable body. The income and expenditure for these works is detailed below:

	<b>2017/2018</b> <b>£</b>	<b>2018/2019</b> <b>£</b>
<b>Expenditure</b>	2,928,890	3,793,896
<b>Receipts</b>	(2,208,330)	(4,020,655)

### 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 a secretary and treasurer to the Joint Committee, employs its staff, and owns a number of properties used by NMAS. They are the lead Council 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 2019.

## 17. Members’ Allowances

The Council paid £490,000 in 2018/19 (£480,000 in 2017/18) in members’ allowances to members of the Council during the year.

## 18. Officers' Remuneration

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

<b>2018/2019</b>	<b>Salary, Fees and Allowance</b> £	<b>Taxable Expenses</b> £	<b>Pension Contributions</b> £	<b>Total</b> £
Chief Executive *	82,044	1,239	11,467	94,750
Executive Director Central & Community Services	83,137	8,604	11,639	103,380
Executive Director Commercial Services	67,419	12,204	9,800	89,423
Executive Director Environment & Planning	87,081	2,638	12,191	101,910
Executive Director Finance Services(Section 151 Officer)	84,681	6,626	11,855	103,162

\* Includes remuneration from Election Duties. Decrease in hours from July 2018.

There were no bonus payments to report.

The Council's Monitoring Officer is contracted from North Norfolk District Council (NNDC) via a service level agreement with Eastlaw (part of NNDC) where Monitoring Officer duties were carried out on a part time basis working for Borough Council of King's Lynn and West Norfolk. The Monitoring Officer is appointed directly by NNDC on a salary of £76,837. The hours worked in 2018/19 for this council were 516.5 hours resulting in the council's share of salary at £20,627. This Monitoring Officer's remuneration is not included in the tables as they are fully remunerated by NNDC and will be included in NNDC's Statement of Accounts.

<b>2017/2018</b>	<b>Salary, Fees and Allowance</b> £	<b>Taxable Expenses</b> £	<b>Pension Contributions</b> £	<b>Total</b> £
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 £124,730 in 2018/2019 (£151,293 in 2017/2018.)

The Council'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	2017/2018 Number of Employees	2018/2019 Number of Employees
£50,000-£54,999 *	10	10
£55,000-£59,999	6	9
£60,000-£64,999	5	1
£65,000-£69,999	5	6
£70,000-£74,999 **	1	1
£75,000-£79,999	2	2

\*£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	
	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000	2017/2018 £'000	2018/2019 £'000
Up to £20,000	3	0	2	1	5	1	72	19
£20,001-£40,000	1	0	1	1	2	1	57	26
£40,001-£60,000	0	0	1	0	1	0	47	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>2</b>	<b>176</b>	<b>45</b>

## 20. Defined Benefit Pension Schemes

### Participation in Pensions Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Norfolk County Council – this is a funded Career average salary scheme, meaning that the Council 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 recognised 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:

The two tables below show the Pension Fund Net Long Term Liability & Reserve positions at the end of 2018/19 and 2017/18

<b>31 March 2018</b> <b>£000</b>	<b>Gross Liabilities</b>	<b>31 March 2019</b> <b>£000</b>
<b>(188,079)</b>	<b>Opening balance as at 1 April</b>	<b>(190,516)</b>
(4,903)	[I] Interest Cost	(5,167)
3,732	[II] Actuarial losses / (gains) from changes in financial assumptions	(16,178)
(5,650)	[III] Current Service Cost	(6,549)
(885)	[IV] Contributions by scheme participants	(918)
5,040	[IV] Benefits paid	5,251
229	[IV] Estimated unfunded benefits paid	234
<b>(190,516)</b>	<b>Closing balance at 31 March</b>	<b>(213,843)</b>



<b>31 March 2018</b> <b>£000</b>	<b>Gross Assets</b>	<b>31 March 2019</b> <b>£000</b>
<b>133,619</b>	<b>Opening fair value of scheme assets balance as at 1 April</b>	<b>141,083</b>
3,499	[I] The return on plan assets (Excluding amount included in net interest expense)	3,775
1,827	[II] Actuarial losses / (gains) from changes in financial assumptions	3,922
6,293	[III] Contributions by the employer	1,998
229	[III] Contributions for unfunded (Discretionary benefits)	234
885	[IV] Contributions by employees into the scheme	918
(5,040)	[IV] Benefits paid	(5,251)
(229)	[IV] Unfunded (Discretionary benefits)	(234)
<b>141,083</b>	<b>Closing Balance at 31 March</b>	<b>146,445</b>
<b>(49,433)</b>	<b>TOTAL NET LIABILITIES</b>	<b>(67,398)</b>

<b>Net Movement</b> <b>In 2017/18</b> <b>£000</b>		<b>Net Movement</b> <b>In 2018/19</b> <b>£000</b>
<b>6,522</b>	<b>General Fund Charge - Employer Contributions</b>	<b>2,232</b>
872	[III] Other items to net cost of services	(4,317)
(1,404)	[I] Interest cost minus return on plan assets to financing income & expenditure	(1,392)
<b>5,990</b>	<b>Charge to Surplus/(Deficit) upon Provision of Services</b>	<b>(3,477)</b>
5,559	[II] Actuarial Gains/(Losses) to other income & expenditure	(12,256)
<b>11,549</b>	<b>(Charge)/Surplus to Comprehensive Income &amp; Expenditure Account for the Year</b>	<b>(15,733)</b>
(6,522)	Less General Fund Charge - Employer Contributions	(2,232)
<b>5,027</b>	<b>TOTAL MOVEMENT IN PENSION RESERVE FAVOURABLE/ (UNFAVOURABLE)</b>	<b>(17,965)</b>

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

## Local Government Pension Scheme Assets Comprised:

Figures supplied by Norfolk County Council who administer the local pension scheme.

Asset Category	Period Ended 31 March 2018				Period Ended 31 March 2019			
	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
<b>Equity Securities:</b>								
Consumer	9,276	0	9,276	7%	9,078	0	9,078	6.2%
Manufacturing	7,911	0	7,911	6%	7,499	0	7,499	5.1%
Energy and Utilities	2,517	0	2,517	2%	3,279	0	3,279	2.2%
Financial Institutions	7,871	0	7,871	6%	7,940	0	7,940	5.4%
Health and Care	2,585	0	2,585	2%	3,524	0	3,524	2.4%
Information Technology	4,424	0	4,424	3%	7,166	0	7,166	4.9%
Other	0	0	0	0%	5	0	5	0%
<b>Debt Securities:</b>								
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	2,124	0	2,124	2%	1,678	0	1,678	1.1%
Other	0	0	0	0%	0	0	0	0%
<b>Private Equity:</b>								
All	0	7,794	7,794	6%	0	9,041	9,041	6.2%
<b>Real Estate:</b>								
UK Property	0	12,376	12,376	9%	0	14,496	14,496	10.0%
Overseas Property	0	2,029	2,029	1%	0	2,798	2,798	1.9%
<b>Total carried forward</b>	<b>36,708</b>	<b>22,199</b>	<b>58,908</b>	<b>44%</b>	<b>40,169</b>	<b>26,335</b>	<b>66,504</b>	<b>45.4%</b>

Continued.

Asset Category	Period Ended 31 March 2018				Period Ended 31 March 2019			
	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
<b>Investment Funds and Unit Trusts:</b>								
Equities	37,771	0	37,771	26.8%	25,199	0	25,199	17.2%
Bonds	39,039	0	39,039	27.7%	50,708	0	50,708	34.6%
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%
<b>Derivatives:</b>								
Inflation	0	0	0	0%	0	0	0	0%
Interest Rate	0	0	0	0%	0	0	0	0%
Foreign Exchange	215	0	215	0%	(40)	0	(40)	0%
Other	(107)	0	(107)	0%	418	0	418	0.3%
<b>Cash and Cash Equivalents:</b>								
All	0	5,257	5,257	3.7%	0	3,656	3,656	2.5%
<b>Totals</b>	<b>113,626</b>	<b>27,456</b>	<b>141,082</b>	<b>100%</b>	<b>116,454</b>	<b>29,991</b>	<b>146,445</b>	<b>100%</b>

### 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 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/2018	2018/2019
<b>Mortality Assumptions:</b>		
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%	2.8%
Rate of increase in Pensions	2.4%	2.5%
Rate for discounting Scheme liabilities	2.7%	2.4%

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%	22,383
0.5% Increase in Salary Increase Rate	2%	3,474
0.5% Increase in the Pension Increase Rate	9%	18,507

### Scheme History

	2014/2015 £'000	2015/2016 £'000	2016/2017 £'000	2017/2018 £'000	2018/2019 £'000
<b>Obligations:</b>					
Present Value of Defined Benefit	(171,313)	(158,661)	(188,079)	(190,516)	(213,843)
Fair Value of Assets in the Local Government Pensions Scheme	116,640	117,182	133,619	141,083	146,445
<b>Deficit in the Scheme</b>	<b>(54,673)</b>	<b>(41,479)</b>	<b>(54,460)</b>	<b>(49,433)</b>	<b>(67,398)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £213,843,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, which after abatement for the fair value of assets of £146,445,000, resulting in a negative overall balance of £67,398,000. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors.

	2017/2018 £'000	2018/2019 £'000
Fees payable with regard to External Audit Services carried out by the appointed auditor for the year.	51	39
Additional and other Audit fees charged during the year.	0	0
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	24	15
<b>Total</b>	<b>75</b>	<b>54</b>

## 22. Related Parties

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

### Members/Head of Service

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowance paid in 2018/2019 is shown in note 17. During 2018/2019, works and services to the value of £272,266 (£354,232 in 2017/2018) were commissioned from companies in which 13 Members and 2 officers (14 Members in 2017/2018) had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £447,527 (£522,764 in 2017/2018) were made to organisations in which 13 Members had an interest (15 Members and 1 officer in 2017/2018). 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 Council's website.

### Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). 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 16.

### **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 2018/2019 the transactions between the Council and Freebridge Community Housing was expenditure of £282,266 (£247,269 in 2017/2018) and income of £1,720,549 (£770,636 in 2017/2018).

### **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 125 to 137.

### **Alive Leisure Trust**

Alive Leisure commenced trading in September 2014. There is 1 Member on the Board of Trustees. During 2018/2019 the transactions between the Council and Alive Leisure Trust was expenditure of £21,920 and income of £943,647.

### **West Norfolk Housing Company Ltd**

West Norfolk Housing Company Ltd was set up by the Council and incorporated on 12<sup>th</sup> September 2016. During 2018/2019 the transactions between the Council and West Norfolk Housing Company Ltd was expenditure of £50,100 and income of £7,127.

### **West Norfolk Property Ltd**

West Norfolk Property Ltd was set up by the Council and incorporated on 12<sup>th</sup> April 2018. There were no transactions in the financial year 2018/19.

### **Alive West Norfolk**

Alive West Norfolk Ltd was set up by the Council and incorporated on 1<sup>st</sup> February 2019. There were no transactions in the financial year 2018/19.

## 23. Leases

### Finance Leases - Council as Lessee

The Council 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 March 2018 £'000	31 March 2019 £'000
Other Land and Buildings	3,045	3,469
<b>Total</b>	<b>3,045</b>	<b>3,469</b>

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

	31 March 2018 £'000	31 March 2019 £'000
Finance Lease Liabilities (Net present value of minimum lease payments):		
Current	1	2
Non- Current	155	154
Finance Costs payable in future years	241	234
<b>Minimum Lease payments</b>	<b>397</b>	<b>390</b>

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

	Minimum Lease Payments		Finance Lease Liabilities		Financial Costs	
	31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
Not later than one year	9	9	1	2	8	7
Later than one year and not later than five years	34	34	7	7	27	27
Later than five years	354	345	147	145	207	200
<b>Total</b>	<b>397</b>	<b>388</b>	<b>155</b>	<b>154</b>	<b>242</b>	<b>234</b>

The Council has sub-let some of the accommodation held under these finance leases. At 31 March 2019 the minimum payments expected to be received under non-cancellable sub-leases was £149,522 (£190,462 at 31 March 2018).



The Council has acquired printer equipment under finance leases. The equipment acquired under these leases is included in Property, Plant and Equipment in the Balance Sheet.

### Operating Leases – Council as Lessee

The Council 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.

	<b>Operating Lease Payments</b>	
	<b>31/03/2018 £'000</b>	<b>31/03/2019 £'000</b>
Not later than one year	87	102
Later than one year and not later than five years	345	387
Later than five years	4,438	4,419
<b>Total</b>	<b>4,870</b>	<b>4,908</b>

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:

	<b>Minimum Lease Payments</b>	
	<b>31/03/2018 £'000</b>	<b>31/03/2019 £'000</b>
Corporate and Democratic Services	1	1
Cultural and Related Services	10	10
Highways and Transport Services	97	113
<b>Total</b>	<b>108</b>	<b>124</b>

## Operating Leases – Council as Lessor

The Council 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 22 for more details.

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

	<b>31/03/2018</b> <b>£'000</b>	<b>31/03/2019</b> <b>£'000</b>
Not later than one year	1,842	2,030
Later than one year and not later than five years	4,811	5,993
Later than five years	43,193	50,287
<b>Total</b>	<b>49,846</b>	<b>58,310</b>

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 2018/2019 £nil contingent rents were receivable by the Council.

## 24. Investment Property

Investment properties are those that are held solely to earn rentals or for capital appreciation, or both. Investment properties are not depreciated but are revalued according to market conditions at the year end.

Properties that are used to facilitate the delivery of service or to support Council policy objectives fall under the category of property plant and equipment (see note 27) and are not investment properties.

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

	<b>2017/2018</b> <b>£'000</b>	<b>2018/2019</b> <b>£'000</b>
Rental Income from Investment Property	(1,718)	(1,656)
Direct Operating Expenses/(Income) Arising from Investment Property	279	(83)
<b>Direct cost of Investment Properties</b>	<b>(1,439)</b>	<b>(1,739)</b>
Other Net Operating Costs	575	1,101
<b>Net (Gain)</b>	<b>(864)</b>	<b>(638)</b>

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

<b>Investment Property</b>	<b>2017/2018 £'000</b>	<b>2018/2019 £'000</b>
<b>Balance at Start of the Year</b>	<b>24,349</b>	<b>24,582</b>
Net Gains / (Losses) on Revaluation	51	(923)
Write Out of Impairments on Revaluations	3	0
<b>Net Gains / (Losses) from Movements in the Market Value of Investment Properties</b>	<b>54</b>	<b>(923)</b>
Additions	396	422
Impairment	0	(22)
Disposals	(1)	(56)
Derecognition	(161)	56
Reclassifications	(55)	(299)
<b>Balance at Year End</b>	<b>24,582</b>	<b>23,760</b>

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

Investment property shall be measured initially at cost. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. Where an investment property is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition. Investment properties are not depreciated but are revalued according to market conditions at the year end.

### **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 Council area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy. There were no transfers between any of the three levels during 2018/19. .

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

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

	<b>Quoted Prices in active markets for identical assets (level 1) £'000</b>	<b>Other significant observable inputs (level 2) £'000</b>	<b>Significant un-observable inputs (level 3) £'000</b>	<b>Fair Value as at 31/03/2019 £'000</b>
<b>2018/2019</b>				
Recurring Fair Value Measurements Industrial Units	0	17,281	0	17,281
Commercial Units	0	5,564	0	5,564
Land	0	272	0	272
Other	0	643	0	643
<b>Total</b>	<b>0</b>	<b>23,760</b>	<b>0</b>	<b>23,760</b>

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

## 25. Intangible Assets

The Council 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 Council 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 Council. The useful lives assigned to the major software suites are up to 7 years and for Housing Nomination Rights up to 40 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £102,973 charged to revenue in 2018/2019 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 £6,387 charged to revenue for 2018/2019 for Housing Nomination Rights was charged to the Housing General fund in Net Cost of Services. The Council holds intangible assets at historical costs. The movement on Intangible asset balances during the year is as follows:

	2017/2018			2018/2019		
	Software Licenses £'000	Housing Nomination Rights £'000	Total £'000	Software Licenses £'000	Housing Nomination Rights £'000	Total £'000
<b>Balances at start of the year</b>						
Gross Carrying Amount	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)
<b>Net Carrying Amount at Start of Year</b>	<b>397</b>	<b>115</b>	<b>512</b>	<b>271</b>	<b>109</b>	<b>380</b>
Additions:						
Purchases	19	0	19	259	0	259
Amortisation for the Period	(145)	(6)	(151)	(103)	(6)	(109)
<b>Net Carrying Amount at End of Year</b>	<b>271</b>	<b>109</b>	<b>380</b>	<b>427</b>	<b>103</b>	<b>530</b>
Comprising:						
Gross Carrying Amounts	1,497	303	1,800	1,756	303	2,059
Accumulated Impairment	(51)	0	(51)	(51)	0	(51)
Accumulated Amortisation	(1,175)	(194)	(1,369)	(1,278)	(200)	(1,478)
	<b>271</b>	<b>109</b>	<b>380</b>	<b>427</b>	<b>103</b>	<b>530</b>

\*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 Council:

<b>Net Book Value</b>	<b>Public Art Collections</b>	<b>Civic Regalia</b>	<b>Museum Collections</b>	<b>Historic Buildings</b>	<b>Archives</b>	<b>Total</b>
<b>At 31 March 2019</b>	237	6,580	6,292	0	4,845	<b>17,954</b>
At 31 March 2018	237	6,580	6,292	0	4,845	<b>17,954</b>
At 31 March 2017	237	6,580	6,292	0	4,845	<b>17,954</b>
At 31 March 2016	237	6,580	6,292	0	4,845	<b>17,954</b>
At 31 March 2015	237	6,580	6,292	0	4,845	<b>17,954</b>

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

	<b>2018/2019</b>					
	<b>Public Art Collections £'000</b>	<b>Civic Regalia £'000</b>	<b>Museum Collections £'000</b>	<b>Historic Buildings £'000</b>	<b>Archives £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>						
Balance at start of year	237	6,580	6,292	39	4,845	<b>17,993</b>
Additions	0	0	0	47	0	<b>47</b>
Revaluation Increase/ (Decrease) recognised in the CIES	0	0	0	(28)	0	<b>(28)</b>
	0	0	0	0	0	<b>0</b>
	<b>237</b>	<b>6,580</b>	<b>6,292</b>	<b>58</b>	<b>4,845</b>	<b>18,012</b>
<b>Accumulated Depreciation and Impairment</b>						
Balance at start of year	0	0	0	39	0	<b>39</b>
Impairments recognised to CIES	0	0	0	19	0	<b>19</b>
<b>Balance at end of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>0</b>	<b>58</b>
<b>NBV AS AT 31 MARCH 2019</b>	<b>237</b>	<b>6,580</b>	<b>6,292</b>	<b>0</b>	<b>4,845</b>	<b>17,954</b>

	2017/2018					
	Public Art Collections £'000	Civic Regalia £'000	Museum Collections £'000	Historic Buildings £'000	Archives £'000	Total £'000
<b>Cost or Valuation</b>						
Balance at start of year	237	6,580	6,292	33	4,845	17,987
Additions	0	0	0	6	0	6
Revaluation Increase/ (Decrease) recognised in the CIES	0	0	0	0	0	0
	<b>237</b>	<b>6,580</b>	<b>6,292</b>	<b>39</b>	<b>4,845</b>	<b>17,993</b>
<b>Accumulated Depreciation and Impairment</b>						
Balance at start of year	0	0	0	33	0	33
Impairments recognised to CIES	0	0	0	6	0	6
Depreciation written out on Revaluation	0	0	0	0	0	0
<b>Balance at end of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>39</b>
<b>NBV AS AT 31 MARCH 2018</b>	<b>237</b>	<b>6,580</b>	<b>6,292</b>	<b>0</b>	<b>4,845</b>	<b>17,954</b>

## 27. Property, Plant and Equipment

### Movements on Balances

Movements in 2018/2019	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost Valuation:</b>						
<b>At 1 April 2018</b>	<b>118,287</b>	<b>19,591</b>	<b>1,394</b>	<b>1,157</b>	<b>27,970</b>	<b>168,399</b>
Adjustments to opening balance	0	0	0	0	0	0
Additions	4,091	1,278	0	67	21,238	26,674
Revaluation Increases/Decreases to Revaluation Reserve	3,569	0	147	0	0	3,716
Revaluation Decreases to Surplus/Deficit	(2,220)	0	(11)	(1,051)	0	(3,282)
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	(1,922)	0	0	0	0	(1,922)
Derecognition - Disposals	0	0	0	0	(17,865)	(17,865)
Derecognition - Other	0	0	0	0	0	0
Derecognition - Other-Revaluation Reserve	0	0	0	0	0	0
Reclassification and Transfers	(528)	0	0	0	913	385
<b>Balance as at 31 March 2019</b>	<b>121,277</b>	<b>20,869</b>	<b>1,530</b>	<b>173</b>	<b>32,256</b>	<b>176,105</b>



<b>Movements in 2018/2019</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Assets under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Accumulated Depreciation and Impairment:</b>						
<b>At 1 April 2018</b>	8,416	15,066	184	1,077	2,191	<b>26,934</b>
Adjustment to opening balance	0	0	0	0	0	<b>0</b>
Depreciation Charge	1,805	870	46	0	0	<b>2,721</b>
Depreciation written out to the Revaluation Reserve	(3,210)	0	(60)	0	(11)	<b>(3,281)</b>
Depreciation written out to the Surplus/Deficit on the CIES	(486)	0	7	0	11	<b>(468)</b>
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	<b>0</b>
Impairment reversals on revaluation	(1,351)	0	0	0	0	<b>(1,351)</b>
Impairment reversals from revaluation increases recognised in the CIES	0	0	0	0	0	<b>0</b>
Impairment losses recognised in the CIES	(1,036)	0	(46)	(984)	1,492	<b>(574)</b>
Derecognition - disposals	0	0	0	0	0	<b>0</b>
Derecognition - Other	0	0	0	0	0	<b>0</b>
Reclassification and Transfers	0	0	0	0	0	<b>0</b>
<b>At 31 March 2019</b>	<b>4,138</b>	<b>15,936</b>	<b>131</b>	<b>93</b>	<b>3,683</b>	<b>23,981</b>
<b>Net Book Value at 31 March 2018:</b>	<b>109,871</b>	<b>4,524</b>	<b>1,209</b>	<b>81</b>	<b>25,780</b>	<b>141,466</b>
<b>Net Book Value at 31 March 2019:</b>	<b>117,139</b>	<b>4,933</b>	<b>1,399</b>	<b>80</b>	<b>28,573</b>	<b>152,124</b>

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

<b>Movements in 2017/2018</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Assets under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Accumulated Depreciation and Impairment: At 1 April 2017</b>	6,711	14,282	78	588	1,233	<b>22,892</b>
Adjustment to opening balance	(24)	0	0	0	0	<b>(24)</b>
Depreciation Charge	2,161	844	46	0	0	<b>3,051</b>
Depreciation written out to the Revaluation Reserve	(1,058)	0	0	0	0	<b>(1,058)</b>
Depreciation written out to the Surplus/Deficit on the CIES	(24)	0	0	0	(37)	<b>(61)</b>
Impairment losses recognised in the Revaluation Reserve	136	0	0	0	0	<b>136</b>
Impairment reversals on revaluation	0	0	0	0	0	<b>0</b>
Impairment reversals from revaluation increases recognised in the CIES	0	0	0	0	0	<b>0</b>
Impairment losses recognised in the CIES	540	0	0	489	995	<b>2,024</b>
Derecognition - disposals	(16)	(10)	0	0	0	<b>(26)</b>
Derecognition - Other	0	0	0	0	0	<b>0</b>
Reclassification and Transfers	(10)	(50)	60	0	0	<b>0</b>
<b>Total Cost or Valuation at 31 March 2018</b>	<b>8,416</b>	<b>15,066</b>	<b>184</b>	<b>1,077</b>	<b>2,191</b>	<b>26,934</b>

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with methodologies and basis 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 109..

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.

	<b>Other land and buildings £'000</b>	<b>Vehicle, plant &amp; equipment £'000</b>	<b>Infrastructure assets £'000</b>	<b>Community assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
<b>Carried at historical cost</b>	0	4,933	1,399	80	28,573	<b>34,985</b>
<b>Valued at fair value as at:</b>						
31 March 2019	54,197	0	0	0	0	54,197
31 March 2018	20,961	0	0	0	0	20,961
31 March 2017	2,728	0	0	0	0	2,728
31 March 2016	1,435	0	0	0	0	1,435
31 March 2015	37,440	0	0	0	0	37,440
Prior to 2015	378	0	0	0	0	378
<b>Gross Book Value</b>	<b>117,139</b>	<b>4,933</b>	<b>1,399</b>	<b>80</b>	<b>28,573</b>	<b>152,124</b>

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

	<b>2017/2018</b> <b>£'000</b>	<b>2018/2019</b> <b>£'000</b>
<b>Opening Capital Financing Requirement</b>	<b>27,531</b>	<b>39,335</b>
<b>Capital Investment:</b>		
Property, plant and equipment	18,335	26,674
Investment Properties	396	422
Intangible assets	20	259
Heritage Assets	6	48
Revenue expenditure funded from Capital under Statute (Net)	1,242	1,700
<b>Sources of Finance:</b>		
Capital Receipts	(3,374)	(19,187)
Government grants and other contributions	(1,475)	(1,603)
Sums set aside from revenue:		
- Direct revenue contributions	(2,106)	(2,330)
- Revenue contributions for prudential borrowing schemes	(946)	(935)
- MRP	(294)	(281)
<b>Closing Capital Financing Requirement</b>	<b>39,335</b>	<b>44,100</b>
<b>Explanation of movements in year:</b>		
Increase in underlying need to borrowing (unsupported by Government Financial Assistance)	11,803	4,765
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>11,803</b>	<b>4,765</b>

## Capital Commitments

At 31 March 2019 the Council has entered into a number of contracts and the major commitments are:

	<b>Commitment Contractual</b>	<b>Commitment Non-Contractual</b>
	<b>31 March 2019 £'000</b>	<b>31 March 2019 £'000</b>
Architectural Services	120	0
Careline	0	18
Conservation & Heritage	207	12
Energy Efficiency	20	0
Environment & Protection Equipment	38	0
ICT Equipment & Software	345	0
Major Housing Development	30,162	0
Other Construction / Works Contracts	627	0
Vehicle Replacement	0	50
<b>Total</b>	<b>31,519</b>	<b>80</b>

## 29. Assets Held for Sale

	<b>2017/2018 £'000</b>	<b>2018/2019 £'000</b>
<b>Balance at Start of the Year</b>	<b>2,339</b>	<b>2,024</b>
Assets newly classified as Held for Sale	955	(85)
Assets sold	(1,270)	(1,005)
<b>Balance at End of Year</b>	<b>2,024</b>	<b>934</b>

### 30. Short Term Receivables

	31 March 2018	31 March 2019
	£'000	£'000
Central Government bodies	1,263	1,615
Local Authorities	963	1,472
NHS Bodies	148	93
Public Corporation and Trading Funds	18	0
Other entities and individuals	10,667	7,015
<b>Sub Total</b>	<b>13,059</b>	<b>10,195</b>
Allowance for doubtful debt (other entities and individuals)	(2,140)	(2,130)
<b>Total</b>	<b>10,919</b>	<b>8,065</b>

### 31. Long Term Receivables

	31 March 2018	31 March 2019
	£'000	£'000
Other entities and individuals	1,614	1,818
Finance Lease	137	137
<b>Sub Total</b>	<b>1,751</b>	<b>1,955</b>
Allowance for doubtful debt (other entities and individuals)	(26)	(26)
<b>Total</b>	<b>1,725</b>	<b>1,929</b>

### 32. Short Term Payables

	31 March 2018	31 March 2019
	£'000	£'000
Central Government bodies	(4,266)	(4,195)
Local Authorities	(3,617)	(3,493)
NHS Bodies	(18)	(32)
Other entities and individuals	(5,986)	(6,203)
<b>Total</b>	<b>(13,887)</b>	<b>(13,923)</b>

### **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 2019, the Council had three material contingent liabilities:

#### **NHS Trusts claiming charitable status**

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.

A case, brought by Derby Teaching Hospitals NHS Foundation Trust and 16 others against 45 councils (not including this council) was heard at the High Court in November 2019. The outcome was that the NHS Trusts challenge was thrown out and the case was lost. The council was notified on 25 February 2020 that the NHS Trusts have now applied for leave to appeal to the Court of Appeal. Due to the Coronavirus crisis no further progress has been made on this yet.

#### **McCloud/Sargeant case**

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The 'underpin' ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied.

The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the 'underpin'. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.



The Fund's actuary has adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Borough Council of King's Lynn and West Norfolk is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £382,000.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

#### GMP Indexation and Equalisation

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However the overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers. The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Borough Council of King's Lynn and West Norfolk for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to Borough Council of King's Lynn and West Norfolk is that total liabilities could increase by approximately £530,000 as at 31 March 2019. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

#### **Coastshare**

Coastshare is a Cost Sharing Group (CSG). The Council and Alive Leisure Trust became members of Coastshare in 2014. Services from the Council were provided to the Trust and the costs were reimbursed within the CSG. The cost sharing exemption applies when two or more organisations with exempt or non-business activities join to form a CSG. A CSG is a separate, independent entity, set up to enable its members to supply themselves with certain qualifying services at cost and exempt from VAT. The cost sharing exemption applies only in very specific circumstances and does not cover normal shared services arrangements. HMRC are currently contacting all Councils involved in this group to review the VAT treatment. At this stage it is not known what the outcome of this review may be.

### 34. Provisions

<b>Business Rates Appeals Provision</b>	<b>2017/2018 £'000</b>	<b>2018/2019 £'000</b>
<b>Balance at the 1 April</b>	<b>1,676</b>	<b>2,031</b>
Additional provisions made in year	355	101
Provision unwound in year	0	0
<b>Balance at the 31 March</b>	<b>2,031</b>	<b>2,132</b>

The total provision applied for NNDR based on appeals lodged as at 31 March 2019 is £5.3 m (£5.1m 2017/2018). The above table reflects the Council's 40% share of the provision at the value of £2.1m (£2.0m 2017/2018).

### 35. Grant Income

The Council applied the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/2019:

2017/2018 £'000		2018/2019 £'000
	<b>Taxation and Specific Government Grant Income:</b>	
(1,858)	Revenue support grant	(1,270)
(2,423)	New Homes Bonus	(1,266)
(371)	Rural Services Delivery Grant	(463)
<b>(4,652)</b>	<b>Sub-Total</b>	<b>(2,999)</b>
(1,528)	Section 31 Small Business Relief Grant Credited to NNDR Income	(2,430)
<b>0</b>	<b>Capital Grants and Contributions</b>	<b>(619)</b>
<b>(6,180)</b>	<b>Total Taxation and Specific Non-Service Government Grant Income</b>	<b>(6,048)</b>
	<b>Other Revenue Grant Income:</b>	
(233)	Business Rates cost of collection - MHCLG	(220)
(36,844)	Department for Works and Pensions - Housing Benefit Unit	(35,419)
(299)	DWP - Discretionary Housing Payments	(296)
(72)	Developer Contributions	(0)
(1,475)	Disabled Facilities - Better Care Fund	(1,668)
(37)	Homelessness Prevention MHCLG/NCC	(215)
(178)	Local Council Tax Support Administration - MHCLG	(167)
(75)	Policy and Partnerships - NCC	(261)
(30)	Neighbourhood Planning Grant - MHCLG	(0)
0	Rough Sleeping Grant - NCC	(115)
0	Lily Phase 4 - NCC	(164)
(28)	Welfare Reform Funding - DWP	(159)
(94)	Heritage Lottery Fund	(191)
(296)	Other	(464)
<b>(39,661)</b>	<b>Total Grant Income to Services</b>	<b>(39,339)</b>
<b>(45,841)</b>	<b>Total Grant Income to General Fund</b>	<b>(45,387)</b>
	<b>Contributions</b>	
(1,598)	Waste Collection Credits – NCC	(1,625)
(3,054)	Other	(685)
<b>(4,652)</b>	<b>Total Contributions</b>	<b>(2,310)</b>
<b>(50,493)</b>	<b>TOTAL GRANTS AND CONTRIBUTIONS TO GENERAL FUND</b>	<b>(47,697)</b>

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

<b>31 March 2018</b> <b>£'000</b>	<b>Capital Grants / Contributions</b>	<b>31 March 2019</b> <b>£'000</b>
(11)	NORA, Hardings Pits	(11)
(79)	Section 106 Agreements	0
<b>(90)</b>	<b>Total Unapplied Grants with conditions</b>	<b>(11)</b>

## 36. Financial Instruments

### Financial Assets

<b>£'000</b>	<b>Non-Current</b>				<b>Current</b>				<b>Total</b> <b>31 March</b> <b>2019</b>
	<b>Investments</b>		<b>Debtors</b>		<b>Investments</b>		<b>Debtors</b>		
	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	
Amortised Cost	4,044	10,000	1,863	1,930	9,090	5,646	7,621	7,015	24,591

### Financial Liabilities

<b>£'000</b>	<b>Non-Current</b>				<b>Current</b>				<b>Total</b> <b>31 March</b> <b>2019</b>
	<b>Borrowings</b>		<b>Creditors</b>		<b>Borrowings</b>		<b>Creditors</b>		
	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	<b>31 March</b> <b>2018</b>	<b>31 March</b> <b>2019</b>	
Amortised Cost	(10,300)	(10,000)	(90)	(12)	(3,769)	(3,199)	(7,044)	(6,203)	(19,414)

All investments and receivables that the Council has on its Balance Sheet are classified as Amortised Cost as they are all simple principal and interest investments with no impairment allowance or other cash flows associated with them.

## Reclassification and re-measurement of impairment losses at 1 April 2018

There have been no adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model for calculations.

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

<b>Title of Soft Loan</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	783	819
- Loans repaid	(61)	(50)
Impairment losses	97	90
<b>Balance carried forward</b>	<b>819</b>	<b>859</b>
<b>Nominal Value Carried Forward</b>	<b>1,236</b>	<b>1,186</b>

### Valuation Assumptions

The interest rate at which the fair value of these soft loans has been made is arrived at by taking the authority's prevailing cost of borrowing for the year the loan is advanced and adding an allowance for the risk that the loan might not be repaid.

### Financial Liabilities

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

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

## **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

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

### **Financial Assets Measured at Amortised Cost**

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

### **Expected Credit Loss Model**

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

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

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

## Comprehensive Income and Expenditure Statement disclosures

### Items of income, expense, gains or losses

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

£'000	2017/2018	Other Comprehensive Income and Expenditure	2018/2019	Other Comprehensive Income and Expenditure
	Surplus or Deficit on the Provision of Services		Surplus or Deficit on the Provision of Services	
Interest revenue:				
• Financial assets measured at amortised cost	(292)	-	(691)	-
<b>Total Interest Revenue</b>	<b>(292)</b>	<b>-</b>	<b>(691)</b>	<b>-</b>
Interest payable	464	-	489	-
<b>Total Interest Payable</b>	<b>464</b>	<b>-</b>	<b>489</b>	<b>-</b>

### Fair Value

#### The Fair Values of Financial Assets and Financial Liabilities

All financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

The fair values calculated are as follows:

**Financial Instruments measured at Amortised Cost**

Financial Liabilities	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
£'000				
PWLB debt	300	304	100	101
Non-PWLB debt	10,000	15,195	10,000	15,046
Short term borrowing	3,500	3,769	3,000	3,005
Short term creditors	7,044	7,044	6,203	6,203
Long term creditors	90	90	12	12
Long term finance lease liability	257	257	247	247
<b>Total Liabilities</b>	<b>21,191</b>	<b>26,659</b>	<b>19,562</b>	<b>24,614</b>

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

Financial Assets	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
£'000				
Money market loans < 1 year	2,490	2,490	2,555	2,585
Cash	1,605	1,605	2,941	2,941
Short term investments	6,000	6,062	-	-
Long term investments	4,000	4,014	10,000	10,120
Short term debtors	7,621	7,621	7,015	7,015
Long term debtors	1,863	1,863	1,930	1,930
<b>Total Assets</b>	<b>23,579</b>	<b>23,655</b>	<b>24,441</b>	<b>24,591</b>

The Council held Money Market Funds (shown within the short term investments). The purpose was solely to collect the repayment of interest and principal. The business model for the Money Market Funds is therefore not based on any other objective of generating profit. The investments have therefore been held at amortised cost.

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

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



### 37. Nature and Extent of Risks Arising from Financial Statements

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

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

#### Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

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

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

#### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

### Credit Risk Management Practices

The authority's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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 Council 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 Council 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 requested. 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 (both short and long term) and shows what allowance, if any, has been made for these debts as laid out within the Accounting policies.

<b>2017/2018</b>	<b>2017/2018</b>	<b>2017/2018</b>		<b>2018/2019</b>	<b>2018/2019</b>	<b>2018/2019</b>
<b>Debt Outstanding</b>	<b>Allowance in Accounts</b>	<b>Net Liability</b>		<b>Debt Outstanding</b>	<b>Allowance in Accounts</b>	<b>Net Liability</b>
£'000	£'000	£'000		£'000	£'000	£'000
1,714	(18)	1,696	0 to 3 months	1,266	(10)	1,256
176	(26)	150	4 to 6 months	8	(1)	7
109	(18)	91	7 to 12 months	15	(2)	13
347	(174)	173	Over one year	348	(154)	194
<b>2,346</b>	<b>(236)</b>	<b>2,110</b>	<b>Total</b>	<b>1,637</b>	<b>(167)</b>	<b>1,470</b>

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

## Amounts Arising from Expected Credit Losses

The changes in loss allowance for debtors at amortised cost during the year are as follows:

<b>Long-Term Debtor</b>	<b>12 month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses – Simplified Approach</b>	<b>Total</b>
	£'000	£'000	£'000
<b>Opening balance as at 1 April 2018</b>	-	-	-
New financial assets originated	-	1,120	1,120
Other changes: Impairment	-	(952)	(952)
<b>As at 31 March 2019</b>	-	<b>168</b>	<b>168</b>

Long-term debtors include the impairment of a collateralised asset where the asset has been taken by the Council, and there is not any anticipated overall loss to the Council. The overall impact of this impairment is negligible and will be offset by income receivable over the life of the asset taken.

## Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2019</b>	<b>31 March 2018</b>
	£'000	£'000
<b>Less than 1 year</b>	3,389	4,043
Between 1 and 2 years	81	173
Between 2 and 5 years	233	202
More than 5 years	10,269	10,194
<b>Total</b>	<b>13,972</b>	<b>14,612</b>

## Market risk

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

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

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

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

According to this assessment strategy, at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	3,553
Impact on Surplus or Deficit on the Provision of Services	0

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

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

**Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 38. Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

Following the outbreak of Coronavirus in March 2020, a number of measures were put in place to limit the spread of the virus.

The restrictions have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has been allocated £2.7 million in this regard to date. The Council has also submitted claims against the Sales, Fees and Charges Scheme to the value of £1.3 million to support the loss of income in this respect.

Our most recent balances compared to the year-end reported in these statements is as follows.

<b>Date</b>	<b>General Fund</b>	<b>Earmarked reserves</b>
31/3/19	£7.6m	£25.5m
31/3/20(unaudited)	£9.9m	£22.3m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to going concern.

Through our assessment we have identified that we expect in 2020/21 and 2021/22 reductions in revenue. We have also included additional costs relating to Covid-19 assumed at £3.76 million based on the expectations of the Council's Service leads through implementation of lockdown measures, supporting the community hub, un-realised savings from the cost reduction programme, additional Waste expenditure due to falling recycling prices and financial support in respect of the provision of leisure services. Due to the uncertainty on the Council's finances, the Council reverted to annual pension contribution payment rather than the planned upfront triennial payment which retained £3.4m in the General Fund Reserve to assist with cashflow.

We have not assumed any additional central government grants in respect of current or further lockdown arrangements if they were to be introduced. We have yet to make any assessment of further additional costs due to the uncertainty. The council is also anticipating a further claim against the scheme that will reimburse loss of income of 75p in £1 of losses over 5% which will further support the council's financial position during this time as well as submitting a bid to the recently announced scheme that will provide support for leisure services. The council anticipates an estimated bid of around £370k for this.

Therefore, taking account of all the above factors, we would expect our 2020/21 outturn to show a revised deficit of £3.6 million. This would be funded from the General Fund balance – which would then have a predicted balance of £6.4 million at 31 March 2021.

The Council has undertaken cash flow modelling through to March 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with headroom of £74 million.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of the audit report, based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £26.5 million at 21 January 2021 and the ability for short-term borrowing under the Council's Treasury Management Policy. This demonstrates that the Council has sufficient liquidity over the same period.

The Fair Funding Review for 2021/22 has been delayed, with a one year settlement from Government announced for 2021/22. The Financial Plan for 2021/2022 estimates a surplus in 2021/22 on the provision of services of £0.8 million. As a result, we were planning to contribute to reserves to that extent in that year. However, the council will now need to make an annual pension contribution payment. As a result, our GF balance at 31 March 2022 is expected to be £7.2 million.

This still remains above our minimum level of GF balances as set by our CFO of £0.9 million.

### 39. Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

<b>31 March 2018</b> £000		<b>31/03/2019</b> £000
446	Interest received	769
(142)	Interest paid	(180)
0	Dividends received	0
<b>304</b>	<b>Total</b>	<b>589</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

<b>31 March 2018</b> £000		<b>31 March 2019</b> £000
3,052	Depreciation	2,468
6,890	Impairment and downward valuations	2,311
151	Amortisation	109
0	Increase/(decrease) in impairment for bad debts	0
(609)	Increase/(decrease) in creditors	651
(2,161)	(Increase)/decrease in debtors	3,169
14	(Increase)/decrease in inventories	(20)
532	Movement in pension liability	5,709
3,647	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	18,925
580	Other non-cash items charged to the net surplus or deficit on the provision of services	293
<b>12,096</b>	<b>Total</b>	<b>33,615</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities

<b>31 March 2018</b> £000		<b>31 March 2019</b> £000
171,288	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	6,243
(4,345)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(19,695)
(3,278)	Any other items for which the cash effects are investing or financing cash flows	(1,376)
<b>163,665</b>		<b>(14,828)</b>

#### 40. Cash Flow from Investing Activities

31 March 2018 £000		31 March 2019 £000
(18,664)	Purchase of property, plant and equipment, investment property and intangible assets	(27,703)
(159,733)	Purchase of short-term and long-term investments	(7,121)
243	Other payments for investing activities	70
4,345	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,695
0	Proceeds from short-term and long-term investments	(169)
5,853	Other receipts from investing activities	1,554
<b>(167,956)</b>	<b>Net cash flows from investing activities</b>	<b>(13,674)</b>

#### 41. Cash Flow from Investing Activities

31 March 2018 £000		31 March 2019 £000
800	Cash receipts of short- and long-term borrowing	(700)
0	Other receipts from financing activities	0
0	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	0
0	Repayments of short- and long-term borrowing	0
(974)	Other payments for financing activities	(633)
<b>(174)</b>	<b>Net cash flows from financing activities</b>	<b>(1,333)</b>



## 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 Council 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 as it is an Agency activity of the Council proceeds are shared with precepting partners.

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 Council 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 Council 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.

<b>NNDR 2017/2018 £'000</b>	<b>Council Tax 2017/2018 £'000</b>	<b>Total 2017/2018 £'000</b>		<b>NNDR 2018/2019 £'000</b>	<b>Council Tax 2018/2019 £'000</b>	<b>Total 2018/2019 £'000</b>
41,572	0	<b>41,572</b>	<b>Income</b>	46,830	0	<b>46,830</b>
0	82,371	<b>82,371</b>	Non-domestic ratepayers	0	88,084	<b>88,084</b>
<b>41,572</b>	<b>82,371</b>	<b>123,943</b>	<b>Total Income</b>	<b>46,830</b>	<b>88,084</b>	<b>134,914</b>
			<b>Expenditure</b>			
			<u>Apportionment of Previous Year Surplus (Deficit)</u>			
(271)	0	<b>(271)</b>	Central Government	784	0	<b>784</b>
(217)	89	<b>(128)</b>	Borough Council of King's Lynn & West Norfolk	627	164	<b>791</b>
(54)	644	<b>590</b>	Norfolk County Council	157	1,176	<b>1,333</b>
0	113	<b>113</b>	OPCCN	0	205	<b>205</b>
			<u>Precepts, Demands and Shares</u>			
20,608	0	<b>20,608</b>	Central Government	21,540	0	<b>21,540</b>
17,646	5,700	<b>23,346</b>	Borough Council King's Lynn & West Norfolk	20,395	6,004	<b>26,399</b>
4,122	60,867	<b>64,989</b>	Norfolk County Council	4,308	65,430	<b>69,738</b>
0	10,592	<b>10,592</b>	OPCCN	0	11,335	<b>11,335</b>
0	2,799	<b>2,799</b>	Parish/Special Expenses	0	2,942	<b>2,942</b>
			<u>Charges to Collection Fund</u>			
220	0	<b>220</b>	Cost of Collection Allowance	220	0	<b>220</b>
886	0	<b>886</b>	Non-Domestic Rates Provision for Appeals	255	0	<b>255</b>
28	102	<b>130</b>	Bad Debt Provisions	(40)	77	<b>37</b>
169	213	<b>382</b>	Write-offs of uncollectable amounts	145	264	<b>409</b>
<b>43,137</b>	<b>81,119</b>	<b>124,256</b>	<b>Total Expenditure</b>	<b>48,391</b>	<b>87,597</b>	<b>135,988</b>
(1,565)	1,252	<b>(313)</b>	(Deficit)/Surplus arising during the year	(1,561)	487	<b>(1,074)</b>
2,576	1,545	<b>4,121</b>	(Deficit)/Surplus brought forward 1st April	1,011	2,797	<b>3,808</b>
<b>1,011</b>	<b>2,797</b>	<b>3,808</b>	<b>(Deficit)/Surplus carried forward 31 March</b>	<b>(550)</b>	<b>3,284</b>	<b>2,734</b>

## General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. 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% plus retainable renewable energy contributions. 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 2018/2019 were estimated before the start of the financial year as £21.5 m to Central Government, £4.3m to Norfolk County Council and £20.4m (including Renewable Energy Contributions) to the Borough Council of King's Lynn and West Norfolk.

When the scheme was introduced Central Government set a baseline level for each Council 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 2018/2019 to the value of £11.0m.

Additional growth above the agreed baseline is split 50% between the Council and either Central Government or a Business rates pool. In 2018/2019 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 contribution of £1.4m.

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 2019. 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 2018/2019 has been calculated at £5.3m.

For 2018/2019, the total non-domestic rateable value at the year-end is £118.5m (£114.9m in 2017/2018). The national multipliers for 2018/2019 were 48.0p for qualifying Small Businesses, and the standard multiplier being 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/2018). The table below shows the total contribution to the NNDR Pool for the year.

<b>Contribution to the NNDR Pool</b>	<b>2017/2018 £'000</b>	<b>2018/2019 £'000</b>
Gross non-domestic rates payable	51,622	57,402
Less Allowances and other adjustments	(10,050)	(10,572)
<b>Net Contribution to NNDR pool</b>	<b>41,572</b>	<b>46,830</b>

Non-Domestic Rates Appeals Provision

	<b>2017/2018 £'000</b>	<b>2018/2019 £'000</b>
<b>In Year Appeals</b>		
Balance at 1 April	1,951	1,509
Adjustment in year	(442)	(834)
<b>Balance at 31 March</b>	<b>1,509</b>	<b>675</b>
<b>Back Dated Appeals</b>		
Balance at 1 April	2,239	3,568
Adjustment in year	1,329	1,088
<b>Balance at 31 March</b>	<b>3,568</b>	<b>4,656</b>
<b>NNDR Appeals Provision</b>	<b>5,077</b>	<b>5,331</b>

## C2 Council Tax

Each Council calculates the amount of its Council 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 Council 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*	*			43	5/9	24
A	Up to £40,000	24,090	22,814	15,592	6/9	10,395
B	£40,001-£52,000	17,274	16,868	13,941	7/9	10,843
C	£52,001-£68,000	13,415	13,133	11,517	8/9	10,237
D	£68,001-£88,000	9,415	9,176	8,339	9/9	8,339
E	£88,001-£120,000	4,841	4,702	4,373	11/9	5,344
F	£120,001-£160,000	2,426	2,362	2,245	13/9	3,243
G	£160,001-£320,000	1,068	1,045	985	15/9	1,642
H	More than £320,000	110	108	96	18/9	191
Total		72,639	70,208	57,131		50,258
Taxbase at Assumed Collection Rate Plus MOD						49,002 464
Total Taxbase						<b>49,466</b>

\*Entitled to a disabled relief reduction

The Council set a precept of £6,003,680 representing Band D Council Tax of £121.37 for its services. In addition, special expenses under section 34(1) of the Local Government Finance Act 1992, totalling £656,830 and parish precepts totalling £2,285,370 were levied, averaging £59.48 for a Band D property. Norfolk County Council set a precept of £65,430,030 representing a Band D charge of £1,322.73 and Norfolk Police Council set a precept of £11,334,616 representing a Band D charge of £229.14. 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 2019 stands at £2.4m Surplus (2017/2018 £3.8m Surplus). This amount is shared as follows:

Collection Fund Balance Sheet						
Non Domestic Rates	Council Tax	TOTAL		Non Domestic Rates	Council Tax	TOTAL
31 Mar 18	31 Mar 18	31 Mar 18		31 Mar 19	31 Mar 19	31 Mar 19
£'000	£'000	£'000		£'000	£'000	£'000
5,339	1,552	6,891	Cash held by KLWNBC	5,842	1,895	7,737
763	3,715	4,478	Debtors	674	4,005	4,679
(431)	(1,474)	(1,905)	Receipts in Advance	(426)	(1,542)	(1,968)
(371)	(996)	(1,367)	Impairment Provision	(331)	(1,074)	(1,405)
(5,077)	0	(5,077)	Appeals Provision	(5,331)	0	(5,331)
(1,011)	(2,797)	(3,808)	Fund Surplus	550	(3,284)	(2,734)
(52)	0	(52)	EZ & Renewable Energy	(1,021)	0	(1,021)
840	0	840	Transitional Protection Payment	43	0	43
<b>0</b>	<b>0</b>	<b>0</b>	<b>Total</b>	<b>(0)</b>	<b>0</b>	<b>0</b>

Collection Fund Representation of Debtor, Creditor & Appeals balances in BCKLWN Accounts						
NNDR	Council Tax	Total		NNDR	Council Tax	Total
31 Mar 18	31 Mar 18	31 Mar 18		31 Mar 19	31 Mar 19	31 Mar 19
£'000	£'000	£'000		£'000	£'000	£'000
316	388	704	Debtors	269	420	689
(173)	(154)	(327)	Receipts in Advance	(170)	(162)	(332)
(148)	(104)	(252)	Impairment Provision	(132)	(113)	(245)
(2,031)	0	(2,031)	Appeals Provision	(2,132)	0	(2,132)
(615)	(1,387)	(2,002)	Creditors - Local Government	(486)	(1,696)	(2,182)
(3,071)	0	(3,071)	Creditors - Central Government	(2,441)	0	(2,441)
(457)	(295)	(752)	Fund Surplus to Collection Fund Adjustment Account	(793)	(344)	(1,137)
<b>(6,178)</b>	<b>(1,552)</b>	<b>(7,730)</b>	<b>TOTAL</b>	<b>(5,885)</b>	<b>(1,895)</b>	<b>(7,780)</b>

NNDR	Council Tax	Total		NNDR	Council Tax	Total
£'000	2017/2018 £'000	£'000		£'000	2018/2019 £'000	£'000
404	295	699	Borough Council	(220)	344	124
101	2,132	2,233	Norfolk County Council	(55)	2,481	2,426
0	370	370	OPCCN	0	459	459
506	0	506	Central Government	(275)	0	(275)
<b>1,011</b>	<b>2,797</b>	<b>3,808</b>		<b>(550)</b>	<b>3,284</b>	<b>2,734</b>



# Annual Accounting Policies

## **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council 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 Council Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19 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.

## **Going Concern**

The accounts have been prepared on a going concern basis.

## **Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council'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 Council is acting as an agent for another party (e.g. in the collection of NNDR and Council Tax), income and expenditure are recognised only to the extent that the commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

## **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 Council 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 Council'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 Council's financial position or financial performance.

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

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

## **Charges to Revenue for Non-current Assets**

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

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

The Council is not required to raise Council Tax to 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 2018/2019. (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.

## **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.

## **Exceptional Items**

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

## **Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure 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.

## **Interests in Companies and Other Entities**

The Council 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 Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## **Jointly Controlled Operations**

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations that involve the use of the assets and resources of the organisations, 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.

### The Council as Lessee

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the 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 are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the 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).

### The Council as Lessor

#### *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

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

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

### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/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 Council. These reserves are explained in the relevant policies.

### Revaluation Reserve

This reserve records the gains and losses arising on the revaluation the Council'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 Council 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 Council'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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## **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.

## **Employee Benefits**

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post- Employment Benefits

Employees, 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 Council'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 Council complies fully with the requirements of IAS 19.

The policy is to recognise the full liability that the Council 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 Council - 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.
- Re-measurements 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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.

## **Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

### Financial Liabilities

They are initially measured at fair value and carried at their amortised cost. Annual charges for interest payable are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, and are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, with accrued interest due within one year shown under short term borrowings; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets:

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

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

## Expected Credit Loss Model

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

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

The Council has grouped the loans into three groups for assessing loss allowances:

- Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.
- Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.
- Group 3 – Money Market funds. Loss allowance will be assessed on market value of the investment in the fund.

## Financial Assets measured at fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices in active markets for identical assets – the market price
- Other instruments with fixed and determinable payments in active markets for identical assets – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

#### Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

#### **Soft Loans**

As part of its Private Sector Housing Policy the Council 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 Council 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.

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

The Council 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 (6<sup>th</sup> 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 Council 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. All properties are valued by RICS qualified staff working for the Council.

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.

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-minimis 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 Council 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.

## **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 Council 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.
- 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 2018/2019 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 Council 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 an impairment, 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.

#### **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. However, unrealised gains and losses are not permitted by statutory arrangements to have an impact on the Balance. Therefore the gains and losses are 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.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences 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 Council.

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. 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.

### **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.

### **Bad Debt Allowance**

#### General Fund

The following percentages determine the level of Bad Debt Allowance:

	%
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 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%

<b>2018/2019</b>	<b>2017/2018</b>	<b>2016/2017</b>	<b>2015/2016</b>	<b>2014/2015 &amp; previous years</b>
1.5%	10%	50%	70%	100%

Council Tax – Costs Outstanding

<b>2018/2019</b>	<b>2017/2018</b>	<b>2016/2017</b>	<b>2015/2016</b>	<b>2014/2015 &amp; previous years</b>
20%	50%	75%	90%	100%

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%

<b>2018/2019</b>	<b>2017/2018</b>	<b>2016/2017 &amp; previous years</b>
33%	50%	100%

## **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.

## **The Collection Fund, Council Tax and Business Rates Income**

In its capacity as a billing Council, the Council acts as an agent collecting and distributing Council Tax and Business Rates income on behalf of the major preceptors and itself. The Council, as a billing authority, is statutorily required to maintain a separate agency Collection Fund account, into which all transactions relating to collection of business rate and council tax income from taxpayers and distribution to local government bodies and central government are made. This separate account, i.e. the Collection Fund, is accounted for separately from the General Fund.

The Council's share of both Council Tax income and Business Rates income is shown in the Comprehensive Income and Expenditure Account as accrued income. However, the amount to be reflected in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

## **Provisions and Contingent Liabilities**

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure

Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made they are charged to the provision.

#### Contingent Liabilities

A contingent liability arises from an event which is too uncertain or the amount of the obligation cannot be reliably estimated. The liability is disclosed as a contingent liability within the notes to the accounts. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

# 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 note 12.

The Council does have interests in three companies that are classified as a subsidiary, 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
West Norfolk Housing Company Ltd	Subsidiary	Not Material
West Norfolk Property Ltd	Subsidiary	Not Commenced Trading

## 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.

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 2018/2019 is from 1 April 2018 to 31 March 2019. The final accounts of the Company for the period ended 31 March 2019 have been audited by Ensors Accountants LLP. Copies of the accounts may be obtained from Companies House or by request to the Council.

The delivery arrangements for the provision of leisure services will change with effect from 1 July 2019. These services will continue to be operated by a wholly owned not-for profit Local Authority Company, Alive West Norfolk. Alive Management Accounts have therefore been prepared on a break-up basis. This has no impact on the preparation of the Group Financial Statements.

The results of Alive Management Ltd to 31 March 2019 are shown in the table below:

	<b>Budget as per March Monitoring</b>	<b>Actual to March 2018</b>	<b>Variance</b>	<b>Budget as per March Monitoring</b>	<b>Actual to March 2019</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operational	2,786	2,742	(44)	2,772	2,758	(14)
Catering	(116)	(105)	11	(129)	(93)	36
Maintenance	494	461	(33)	494	499	5
<b>Total</b>	<b>3,164</b>	<b>3,098</b>	<b>(66)</b>	<b>3,137</b>	<b>3,164</b>	<b>27</b>

### West Norfolk Property Ltd

The Company was incorporated on 12<sup>th</sup> April 2018. The Company as at the 31 March 2019 has not commenced trading. The Borough Council of Kings Lynn & West Norfolk holds 100% of the allotted ordinary shares in West Norfolk Property Ltd.

### West Norfolk Housing Company Ltd

West Norfolk Housing Company Ltd was set up by the Council and incorporated on 12<sup>th</sup> September 2016. During 2018/2019 the transactions were not material. See page 67 for full details.

## Group Movement in Reserves Statement

Movements in Reserves during 2018/2019	Council's Usable Reserves £'000	Subsidiary Usable Reserves £'000	Total Group Usable Reserves £'000	Council's Unusable Reserves £'000	Subsidiary Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
<b>Balance at 1 April 2018 Brought Forward</b>	<b>(34,364)</b>	<b>(18)</b>	<b>(34,382)</b>	<b>(99,209)</b>	<b>0</b>	<b>(99,209)</b>	<b>(133,591)</b>
Group (Surplus)/Deficit	5,536	2	5,538	0	0	0	5,538
Other Comprehensive Expenditure and Income	0	0	0	3,905	0	3,905	3,905
<b>Total Comprehensive Expenditure and Income</b>	<b>5,536</b>	<b>2</b>	<b>5,538</b>	<b>3,905</b>	<b>0</b>	<b>3,905</b>	<b>9,443</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(10,506)	0	(10,506)	10,506	0	10,506	0
<b>(Increase)/Decrease in Year 2018/2019</b>	<b>(4,970)</b>	<b>2</b>	<b>(4,968)</b>	<b>14,411</b>	<b>0</b>	<b>14,411</b>	<b>9,443</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(39,334)</b>	<b>(16)</b>	<b>(39,350)</b>	<b>(84,796)</b>	<b>0</b>	<b>(84,796)</b>	<b>(124,146)</b>

<b>Movements in Reserves during 2017/2018</b>	<b>Council's Usable Reserves £'000</b>	<b>Subsidiary Usable Reserves £'000</b>	<b>Total Group Usable Reserves £'000</b>	<b>Council's Unusable Reserves £'000</b>	<b>Subsidiary Unusable Reserves £'000</b>	<b>Total Group Unusable Reserves £'000</b>	<b>Total Group Reserves £'000</b>
<b>Balance at 1 April 2017 Brought Forward</b>	<b>(33,944)</b>	<b>(19)</b>	<b>(33,963)</b>	<b>(101,206)</b>	<b>0</b>	<b>(101,206)</b>	<b>(135,169)</b>
Group (Surplus)/Deficit	7,867	1	7,868	0	0	0	7,868
Other Comprehensive Expenditure and Income	0	0	0	(6,290)	0	(6,290)	(6,290)
<b>Total Comprehensive Expenditure and Income</b>	<b>7,867</b>	<b>1</b>	<b>7,868</b>	<b>(6,290)</b>	<b>0</b>	<b>(6,290)</b>	<b>1,578</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(8,287)	0	(8,287)	8,287	0	8,287	0
<b>(Increase)/Decrease in Year 2017/2018</b>	<b>(420)</b>	<b>1</b>	<b>(419)</b>	<b>1,997</b>	<b>0</b>	<b>1,997</b>	<b>1,578</b>
<b>Balance at 31 March 2018 Carried Forward</b>	<b>(34,364)</b>	<b>(18)</b>	<b>(34,382)</b>	<b>(99,209)</b>	<b>0</b>	<b>(99,209)</b>	<b>(133,591)</b>

## Group Comprehensive Income and Expenditure Statement

2017/2018			COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT	2018/2019		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,633	(81)	7,552	Corporate Services	1,488	(179)	1,309
1,550	(200)	1,350	Democratic Services	1,600	(25)	1,575
			<u>Service Heads</u>			
5,813	(3,067)	2,746	Central and Community Services	9,527	(3,158)	6,369
2,361	(1,126)	1,235	Chief Executive Services	2,338	(1,054)	1,284
20,780	(14,971)	5,809	Commercial Services	25,741	(18,980)	6,761
4,023	(2,151)	1,872	Environment and Planning Services	4,657	(2,771)	1,886
40,866	(38,814)	2,052	Finance Services	40,562	(37,372)	3,190
<b>83,026</b>	<b>(60,410)</b>	<b>22,616</b>	<b>Cost of Services</b>	<b>85,913</b>	<b>(63,539)</b>	<b>22,374</b>
		4,813	Other Operating Expenditure			4,864
		814	Financing and Investment Income and Expenditure			1,633
		(20,375)	Taxation and Non-specific Grant Income			(23,333)
		<b>7,868</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>5,538</b>
		(731)	Deficit/(Surplus) on revaluation of fixed assets			(8,351)
		(5,559)	Actuarial (gains)/losses on pensions assets/liabilities			12,256
		<b>(6,290)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>3,905</b>
		<b>1,578</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>9,443</b>

## Group Balance Sheet

31 March 2018 £'000	Note		31 March 2019 £'000
159,800		Property, Plant and Equipment, Heritage & Intangible	170,607
24,582		Investment Property	23,760
4,044		Long Term Investments	10,000
1,725		Long Term Receivables	1,929
<b>190,151</b>		<b>Long Term Assets</b>	<b>206,296</b>
6,062		Short Term Investments	150
100		Inventories	128
11,246	G3	Short Term Receivables	8,881
4,025	G4	Cash and Cash Equivalents	5,127
2,024		Assets Held for Sale	934
<b>23,457</b>		<b>Current Assets</b>	<b>15,220</b>
(2,031)		Provisions	(2,132)
(3,769)		Short Term Borrowing	(3,199)
(14,137)	G5	Short Term Payables	(14,382)
<b>(19,937)</b>		<b>Current Liabilities</b>	<b>(19,713)</b>
(90)		Grants Receipts in Advance	(12)
(10,300)		Long Term Borrowing	(10,000)
(257)		Other Long Term Liabilities	(247)
(49,433)		Pension Liabilities	(67,398)
<b>(60,080)</b>		<b>Long Term Liabilities</b>	<b>(77,654)</b>
<b>133,591</b>		<b>Net Assets</b>	<b>124,146</b>
34,382		Usable Reserves	39,350
99,209		Unusable Reserves	84,796
<b>133,591</b>		<b>Total Reserves</b>	<b>124,146</b>

## Group Cash Flow Statement

2017/2018 £'000	Note	CASH FLOW STATEMENT	2018/2019 £'000
(7,868)		<b>Net Surplus or (deficit) on the provision of services</b>	(2,389)
11,977		Adjustment to surplus or deficit on the Provision of Services for Non Cash Movements	33,324
163,665		Adjust for Items included in the Net surplus or deficit on the Provision of Services that are Investing and Financing Activities	(14,828)
<b>167,774</b>		<b>Net Cash flows from Operating Activities</b>	<b>16,107</b>
(167,957)		Investing Activities	(13,676)
(174)		Financing Activities	(1,333)
<b>(357)</b>		<b>Net (Increase) or decrease in Cash and Cash Equivalents</b>	<b>1,098</b>
4,382		Cash and Cash Equivalents at the Beginning of the Reporting Period	4,025
<b>4,025</b>	G4	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>5,123</b>

## 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 is zero.



### G3 Short Term Receivables

31 March 2018 £'000		31 March 2019 £'000
1,263	Central Government bodies	1,615
963	Local Authorities	1,472
148	NHS Bodies	93
18	Public Corporations and Trading Funds	0
10,994	Other entities and individuals	7,832
<b>13,386</b>	<b>Sub Total</b>	<b>11,012</b>
(2,140)	Allowance for doubtful debt (other entities and individuals)	(2,130)
<b>11,246</b>	<b>Total</b>	<b>8,882</b>

### G4 Cash and Cash Equivalents

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

31 March 2018 £'000		31 March 2019 £'000
1,604	Single Entity cash and bank balances	2,941
(77)	Subsidiary cash and bank balances	(369)
2,498	Short term deposits with the Money Market	2,555
<b>4,025</b>	<b>Total Group Cash and Cash Equivalents</b>	<b>5,127</b>

### G5 Short Term Payables

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

31 March 2018 £'000		31 March 2019 £'000
(4,266)	Central Government bodies	(4,195)
(3,617)	Local Authorities	(3,431)
(18)	NHS Bodies	(32)
(6,236)	Other entities and individuals	(6,724)
<b>(14,137)</b>	<b>Total</b>	<b>(14,382)</b>

## 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:

<b>Band</b>	<b>Pensionable pay range 2018/2019</b>	<b>Main section contribution rate</b>
1	£0 to £14,100	5.5%
2	£14,101 to £22,000	5.8%
3	£22,001 to £35,700	6.5%
4	£35,701 to £45,200	6.8%
5	£45,201 to £63,100	8.5%
6	£63,101 to £89,400	9.9%
7	£89,401 to £105,200	10.5%
8	£105,201 to £157,800	11.4%
9	£157,801 or more	12.5%

The contribution rate was reviewed at the scheme's last valuation date, 31 March 2019.

## G7 Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 135. The reserves of the subsidiary include:

<b>2017/2018 £'000</b>	<b>Reserves</b>	<b>2018/2019 £'000</b>
0.1	Retained Share Capital	0.1
17.8	Retained Profit for the year	16.2
<b>17.9</b>	<b>Total Usable Reserves</b>	<b>16.3</b>
0.0	<b>Unusable Reserves</b>	0.0
<b>0.0</b>	<b>Total Unusable Reserves</b>	<b>0.0</b>
<b>17.9</b>	<b>TOTAL RESERVES</b>	<b>16.3</b>

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

### **Opinion**

We have audited the financial statements of the Borough Council of King's Lynn and West Norfolk for the year ended 31 March 2019 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 41 to the Authority financial statements;
- The related notes G1 to G7 to the Group financial statements;
- The Collection Fund and the related notes C1 to C4; and
- The Annual Accounting Policies.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Borough Council of King's Lynn and West Norfolk and Group as at 31 March 2019 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 2018/19.

### **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.

### **Emphasis of matter – Effects of COVID-19**

We draw attention to Note 38 of the financial statements, which describes the financial and operational disruption the Council is facing as a result of COVID-19 and the additional pressure that this presents to expenditure and funding.

Our opinion is not modified in respect of this matter.

## **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 Assistant Director - Resources (S151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director - Resources (S151 Officer) 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 2018-2019*", other than the financial statements and our auditor's report thereon. The Assistant Director - Resources (S151 Officer) 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**

#### **Basis for Qualified Conclusion**

- Working with partners and other third parties

The King's Lynn Innovation Centre (KLIC) project was presented by the Regeneration and Economic Development Officer to Cabinet in May 2012.

In September 2012, Cabinet agreed in principle to the report from the Regeneration and Economic Development Panel and agreed to a loan of £2.5 million towards the capital cost of building KLIC. This loan was provided by New Anglia LEP (Suffolk CC) to the council, with onward lending to Norfolk & Waveney Enterprise Services (NWES) under the same terms and conditions. This loan was due to be repaid by NWES by 30 November 2018.

In December 2012, Cabinet approved the details of the Heads of Terms of the Partnership Agreement. In addition to the loan, the Council also contributed £1 million as a grant, and the loan and grant amounts were paid on a phased basis during the KLIC construction. NWES contributed £500,000 towards the project, and the New Anglia LEP (Suffolk CC) funded via a grant to BCKLWN, an additional £500,000 for infrastructure.

In September 2016, the Council approved an additional loan of £250,000 to NWES, to meet final payments due to the main contractor engaged on the construction of the KLIC building. NWES were unable to meet these payments due to a cash flow shortfall.

In November 2018 NWES failed to repay the loan and NWES is indebted to BCKLWN for £2.75 million (£2.5 million initial loan plus a further £250,000).

Whilst some initial due diligence was performed into the partner body (NWES) at the commencement of the project, the Council did not perform regular due diligence reviews on NWES and therefore were not aware of the financial distress the partner organisation was under in 2018/19 financial year.

In addition, a number of key legal documents in relation to the KLIC building, remained unsigned at the commencement of the 2018/19 financial year.

These are evidence of weaknesses in the arrangements to manage a project of this significance.

Since, being made aware of the NWES issue in July 2019, the Council has acted both swiftly and appropriately in seeking professional service support. The Council has taken legal ownership of the KLIC building, had drawn up and agreed a contract for the repayment of the outstanding debt from NWES and has engaged NWES to manage the KLIC to safeguard the overall objective of the regeneration project.

### **Qualified conclusion - Except for**

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 April 2020, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, the Borough Council of King's Lynn and West Norfolk put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **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 Assistant Director - Resources (S151 Officer)**

As explained more fully in the "*Statement of Responsibilities*" set out on pages 1 and 2, the Assistant Director - Resources (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Assistant Director - Resources (S151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 April 2020, as to whether the Borough Council of King's Lynn and 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 the Borough Council of King's Lynn and West Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Borough Council of King's Lynn and 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 the Borough Council of King's Lynn and 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 the Borough Council of King's Lynn and 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

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**Date:** 29 January 2021

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



## **Annual Governance Statement (AGS)**

The Councils Annual Governance Statement for 2018/19 can be found at the following link:

[Corporate governance | Borough Council of King's Lynn & West Norfolk \(west-norfolk.gov.uk\)](https://www.west-norfolk.gov.uk/corporate-governance)

# 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.

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.

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-to-day 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.