



Statement of accounts

for the year ending
31 March 2018

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Narrative Report

1. Introduction

Effective planning, management and scrutiny of the use of public funds are a key part of a local authority's responsibilities. The financial statements (commonly known as the accounts) are a vital part of the accountability framework, as they demonstrate how much money was spent and for what purpose, and how cash needs were met. They also record assets used, and liabilities incurred, in delivering services.

However, local authority financial statements are complex and can be difficult to understand: they must comply with the Chartered Institute of Public Finance & Accountancy's (CIPFA) "Code of Practice on Local Authority Accounting in the United Kingdom 2017/18", which is based on International Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report provides the reader with:

- An understanding of the council, its strategic priorities, and the local and national context in which it operates.
- An overview of the Council's medium term financial plans, future outlook, and key risks going forwards.
- A summary of the Council's financial performance for 2017/18 along with information on how well the Council delivered its key priorities during the year.

- A guide to the key features of the primary statements and notes that make up the set of financial statements along with a pointer to the key figures.

The Council is required to publish an Annual Governance Statement to accompany the Statement of Accounts. This sets out the arrangements the council has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The 2017/18 Annual Governance Statement can be found at:

[https://www.norwich.gov.uk/downloads/download/1978/state ment of accounts](https://www.norwich.gov.uk/downloads/download/1978/state%20ment%20of%20accounts)

2. Norwich City Council

Norwich City Council is a city council. It delivers services to the heart of the city, approximately 60% of the urban area, covering a population of some 139,900 (Source: 2016 midyear estimates, Office of National Statistics, March 2018). These services include:

<ul style="list-style-type: none"> • Housing services • Waste & recycling collections • Street cleansing • Car parking • Parks and open spaces • Cultural, tourism and leisure services 	<ul style="list-style-type: none"> • Electoral Registration • Housing and Council Tax Benefits • Local Planning • Public protection services including licensing and environmental health
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The Council has 39 Councillors representing 13 Wards (three Councillors for each Ward), each serving a four year term.

The political make-up of the city council during the 2017/18 financial year was as follows:

- Labour 26 seats,
- Green Party 10, and
- Liberal Democrats 3.

Labour had a majority of the seats and therefore had overall control. The Cabinet for the 2017/18 financial year consisted of eight members of the Labour group including the Leader of the Council, as follows:

Portfolio	Councillor
Leader of the council	Councillor Alan Waters
Deputy leader and social housing	Councillor Gail Harris
Safe city environment	Councillor Kevin Maguire
Social inclusion	Councillor Karen Davis
Safer, stronger neighbourhoods	Councillor Chris Herries
Resources	Councillor Paul Kendrick
Sustainable and inclusive growth	Councillor Mike Stonard
Health and wellbeing	Councillor Matthew Packer

The Council employs 549.82 full time equivalent (FTE) employees (as at 31 March 2018). The actual number of individuals is 672 of whom 395 are full time and 277 are part-time employees.

The Council delivers some of its services in partnership with other organisations, the most significant of these being NPS Norwich Ltd (land and property management), Norwich Norse Environmental Ltd (street and other cleansing, grounds maintenance and tree work), Norwich Norse Building Ltd (housing and non-housing repairs and

maintenance), CNC Building Control, LGSS (provision of finance, internal audit, insurance and IT services) and NPLaw (legal services).

3. Strategic direction of the Council

The corporate plan 2015-2020 sets out the overall strategic direction of the council including its vision, priorities and values. This guides everything the council will do for the city and its residents and visitors for the period. A copy of the Corporate Plan can be downloaded by following:

https://www.norwich.gov.uk/info/20277/performance_and_open_data/1859/corporate_plan

Our vision: overall this is what as a council we aim to achieve for the city and its citizens.

Our vision: to make Norwich a fine city for all.

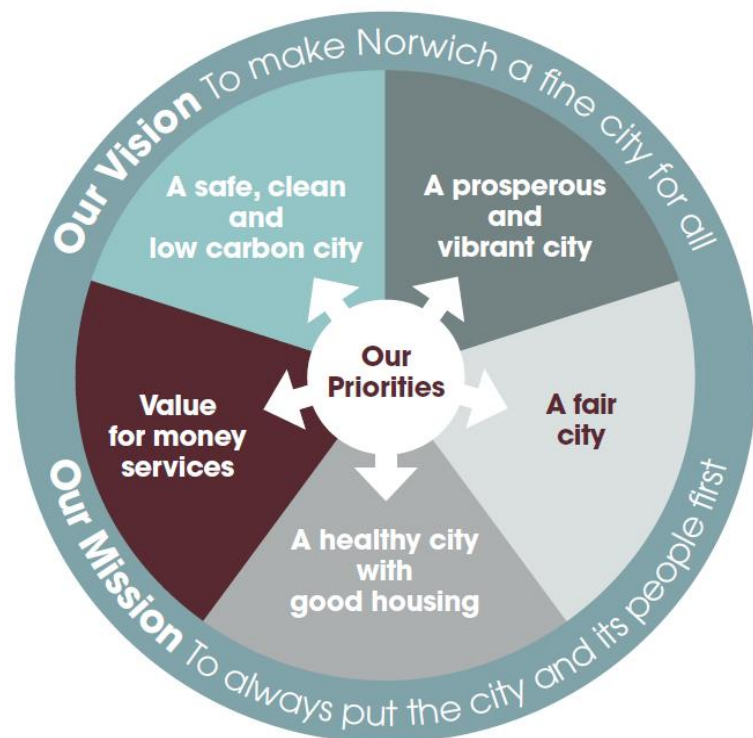
Our mission: this is the fundamental purpose of the council – so basically what we are here for.

Our mission: to always put the city and its people first.

Our priorities: these are the key things we aim to focus on achieving for the city and its residents to realise our vision over the next five years.

Our core values: these drive how we will all work and act as teams and employees of the council. Taken together, these summarise what we promise to do and be as a council for the city and its residents. Everything we ever do as an organisation, whether in teams or as individuals, will be done with our core values in mind. These are:

- P Pride:** We will take pride in what we do and demonstrate integrity in how we do it.
- A Accountability:** We will take responsibility, do what we say we will do and see things through.
- C Collaboration:** We will work with others and help others to succeed.
- E Excellence:** We will strive to do things well and look for ways to innovate and improve.



4. Local context

Norwich is a success story. It seamlessly combines the modern with the historic and is a vibrant city with a thriving economy and cultural scene. There is much to celebrate, but as with any city, it has some challenges. These issues include poor educational attainment and poor health. The severity of these varies considerably between different wards of the city.

Detailed statistical information about the city can be found in The State of Norwich report found at https://www.norwich.gov.uk/download/downloads/id/4172/state_of_norwich_2017.pdf

To build on the successes and address the challenges, Norwich needs a long term vision for the city – what do we want the city to be like in 2040 and what do we need to do to make it happen? As civic leader, Norwich City Council is steering the development of this vision.

During 2017/18 the City engaged with residents, businesses, organisations and groups from across the city. This included focus groups with staff and residents, a 2040 Norwich City Vision conference, Councillor focus groups, and a youth city vision event. The City Council, along with key strategic partners, aims to publish the 2040 Norwich City Vision in autumn 2018.

Running alongside this city vision project, is a review of the Council's whole operating model to make sure we are "Fit for the Future" and can deliver the services that our residents, visitors, businesses and partner organisations want and need, within the resources we have. This review will reach preliminary conclusions during the early part of the

2018/19 financial year and will result in a new corporate plan for the Council for 2019/20 and onwards.

5. National Context

Norwich City Council is working in the context of the most challenging financial times that local government has ever faced.

Since 2010, successive governments have reduced funding for local government in England as part of their efforts to reduce the national fiscal deficit.

The National Audit office's report ("*Financial sustainability of local authorities 2018*") published 5 March 2018) concludes that:

- Government funding for local authorities has fallen by an estimated 49.1% in real terms from 2010/11 to 2017/18.
- Alongside reductions in funding, local authorities have had to deal with growth in demand for key services (particularly homelessness and adult & children's social care) as well as absorbing other cost pressures (such as higher national insurance contributions, the apprenticeship levy, and the National Living Wage).
- Local authorities have changed their approach to managing reductions in income, shifting away from reducing spending on front-line services, to looking for other savings and alternative income sources, such as income from commercial activities.

To illustrate the severity of the challenges facing the sector, the statutory financial officer for Northamptonshire County

Council issued a section 114 notice in February 2018, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

6. Medium Term Financial Strategy (MTFS), Future Outlook, and Risks

The latest MTFS, HRA Business Plan, and 2018/19 budgets were approved by Council in February 2018 and can be found at this link: [MTFS, HRA Business plan and 2018/19 Budgets](#).

General Fund

The Council's General Fund (GF) revenue budget comprises the annual day-to-day costs and income of providing all of the Council's services except social housing which is in a separate budget called the Housing Revenue Account (HRA).

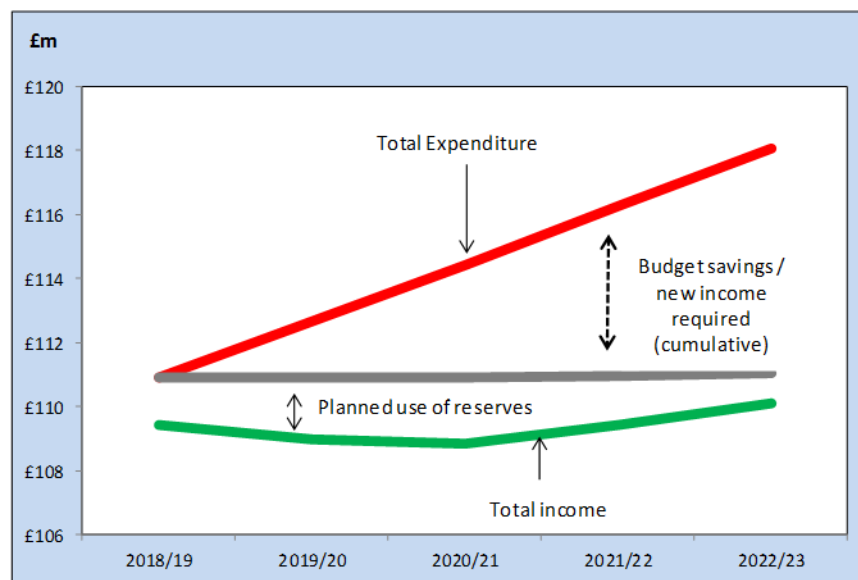
The Medium Term Financial Strategy (MTFS) for the General Fund shows that forecast income is insufficient to fund forecast expenditure over the next five years.

This is a result of cost pressures, such as inflation and Pension Fund deficit contributions, growth in demand for services and for funding the capital budget from revenue contributions, and reducing grants from central government (in particular Revenue Support Grant (RSG) and New Homes Bonus).

The Council's agreed approach to meeting this financial challenge is to:

- Undertake strategic and planned cost reductions by using the General Fund reserve over the next four years to part fund the budget. At the end of year five reserves will reach the prudent minimum balance (the minimum amount of reserve the Chief Finance Officer recommends is necessary to hold given the size and the potential risks of the organisation).
- Identify £10m of savings or new income (after assuming demand-led expenditure growth of £0.75m per annum) over the four years 2019/20 to 2022/23.

MTFS – Planned savings and use of GF reserves



The Council has a successful track record of increasing and diversifying its income from fees, charges, and from other sources instead of placing total reliance on the funding

obtained from Council Tax, Business Rates, and central government grants.

General Fund MTFS 2018/19 to 2022/23

Figures in £000s	2018/19	2019/20	2020/21	2021/22	2022/23
Employees	20,557	21,512	22,321	23,151	24,007
Premises	10,398	10,627	10,861	11,100	11,344
Transport	283	289	295	302	309
Supplies & Services	16,091	16,293	16,641	16,996	17,359
Capital Charges and funding of capital budget	2,573	2,841	3,110	3,379	3,649
Housing Benefit Payments	56,580	56,580	56,580	56,580	56,580
Third Party Payments	4,434	4,532	4,632	4,734	4,838
TOTAL EXPENDITURE	110,916	112,674	114,440	116,242	118,086
Net Recharge Income	-8,603	-8,603	-8,603	-8,603	-8,603
Fees, charges, rentals	-25,596	-26,245	-26,603	-26,967	-27,361
Government Grants:					
New Homes Bonus	-837	-520	-119	-32	0
Benefit Subsidy	-56,876	-56,877	-56,877	-56,877	-56,877
Other Grants	-1,804	-1,346	-1,288	-1,249	-1,212
Formula Funding (RSG)	-982	-213	0	0	0
Business Rates	-5,298	-5,767	-5,704	-5,824	-5,947
Council Tax	-9,416	-9,404	-9,638	-9,853	-10,099
TOTAL INCOME	-109,412	-108,975	-108,832	-109,405	-110,099
Difference between forecast spend & income	1,504	3,699	5,608	6,837	7,987
To be funded by:					
Net Savings (cumulative)	0	-1,760	-3,520	-5,280	-7,040
Planned use of reserves	-1,504	-1,939	-2,088	-1,557	-947
Estimated reserves at year end	11,652	9,712	7,624	6,068	5,120

Recent initiatives have included purchasing new commercial property to add to our existing investment property portfolio and thereby increase the rental income returns. It is planned to continue to purchase new commercial property in 2018/19 and onwards as a means of helping fund key council services as well as to contribute to regeneration, growth and long-term sustainability objectives within the city.

In addition we are increasingly investing in the Council's wholly owned company, Norwich Regeneration Ltd, by lending money at commercial rates to the company. This provides the Council with a new and increasing income source and also enables the company to construct much needed new housing in the city.

The council is currently reviewing its operating model, working practices, and its use of IT technology to ensure it is "Fit for the Future". It is anticipated that some efficiency savings can be made over the medium term arising from this review although these have not as yet been quantified.

Whilst it is the Council's preference to find further income generation opportunities and efficiency savings to balance the MTFS budget going forwards, we cannot rule out cuts or reductions in front line services given the scale of the financial challenges faced by the Council.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is a ring-fenced account, containing the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other HRA income.

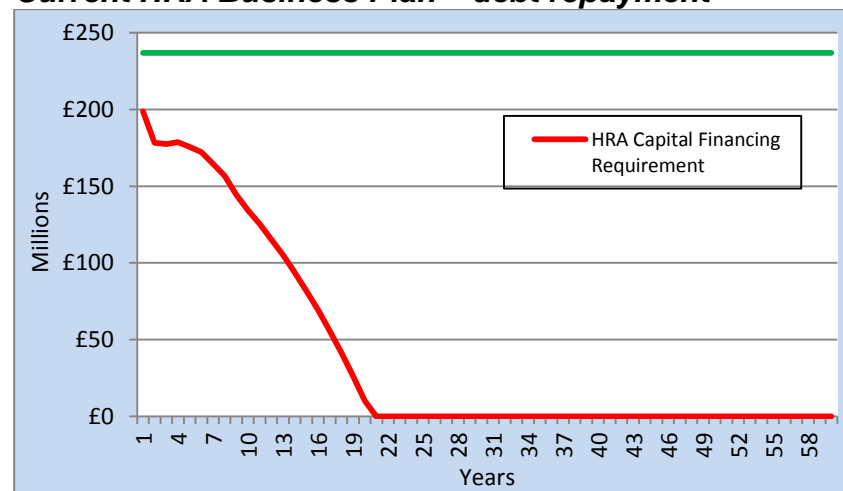
The gross expenditure budget for the HRA in 2018/19 is £70.8m with the income budget being £68.25m. This creates a budget deficit position of £2.55m which will be funded through planned use of HRA reserves.

The Welfare Reform and Work Act 2016 made specific and significant provision for changes to the law affecting social housing providers. These changes included the statutory

reduction of rents by 1% each year for four years beginning in 2016/17. Government will allow social housing rents to increase by inflation (as measured by the Consumer Price Index (CPI)) plus 1% from 2020/21 onwards.

The HRA budget is the product of a long term Business Plan for Council housing which forecasts planned capital and revenue expenditure against income and the need to repay long term borrowing costs. The HRA Business Plan provides for the building of 200 new council homes by 2021 and the completion of works to meet the Norwich standard in each property. The Plan shows that existing borrowing can currently be repaid within 21 years.

Current HRA Business Plan – debt repayment



Historically the Business Plan has been developed with the aim of showing that the repayment of borrowing could be within a 30 year period. The model has recently been updated to enable the impact of increased borrowing to be modelled, which could extend the repayment period up to 60 years. This change will enable further investment

opportunities to be explored, such as additional new build schemes and the consideration of renewing rather than upgrading some existing housing stock.

Capital Programme

The council owns and maintains an extensive range of assets including commercial property, HRA dwellings, a market, heritage assets, walkways and paths and lighting columns. Major investment in these and in new assets is funded from the capital programme which in turn is resourced from the disposal of surplus assets, revenue budget contributions, grants and external borrowing.

The Council's General Fund capital budget for 2018/19 is £42.8m with the largest individual budget being for the acquisition of new commercial property at £40m. Other large capital projects may be included in the programme later in the year once a Business Case has been submitted and approved to cabinet and full Council.

The HRA capital budget is £31.6m of which the largest element is £22.8m for council house upgrades.

Future Outlook

Local government is set to experience the most significant reform of its funding arrangements for over two decades. The Fair Funding review, reset of business rates baselines, and changes to the business rates retention system all have critical implications for the distribution of funding across local government. At the same time, the results of Spending Review 2019 will affect the total level of funding available to local government as a whole from April 2020.

- **Fairer Funding Review:** The review will develop a new needs assessment which will form the basis of distribution of funding to local government. Government published an initial consultation earlier this year focused on the potential statistical approaches that could be used to measure the relative needs of local authorities and the identification of common cost drivers. It is understood that a further consultation will be launched in December 2018 and very indicative funding allocations published in spring 2019.
- **75% retention of Business Rates:** Since 2013-14, councils in England have in theory kept 50% of business rates although the exact sum retained depends on a system of tariffs and top ups based on local need. From April 2020 councils will be able to keep 75% of the Business Rates they raise above a government established baseline figure. However, many questions remain about the scheme including how growth in Business Rates income should be divided up in areas where there is more than one tier of local government and whether some Business Rates income should be retained by government and redistributed nationally (as under the current system).

Another medium term uncertainty is the future performance of the national economy arising from Brexit. The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values. In addition, any economic downturn decreases the amount of tax receipts and income collected by both national and local government and this has consequential impacts on the amount of money available for local government services.

Financial Risks

Financially the Council faces a large number of challenges in the coming years. The 2018/19 Budget Report identified five key financial risks facing the Council, as follows:

- **Long term uncertainty:** Given the lack of clarity on future local government funding post April 2020 it is not possible to undertake meaningful and robust medium term financial planning for the financial year 2020/21 and onwards.
- **Scale of budget savings required over the medium term:** £10m of gross savings and/or increased income needs to be identified and delivered over the 4 year period 2019/20 to 2022/23 which represents some 13% of the 2018/19 gross expenditure budget (excluding housing benefit payments).
- **Business Rates income:** This is a highly volatile source of revenue and various factors including business closures, successful appeals against rateable values, changes in property usage from office/industrial to residential, and changes to the national and local economy can cause reductions in Business Rates income. The Business Rates Retention scheme will increase this risk from 50% to 75% for local authorities from 2020/21.
- **Achieving the 2018/19 budget savings:** Planned savings and/or increased income of £2.4m will need to be delivered during 2018/19.
- **Increasing reliance on commercial income:** The Council's General Fund revenue budget comprises £26m

of fees, charges, rental and interest income arising from commercial or quasi-commercial activities, including net income arising from lending to the Council's company, Norwich Regeneration Limited. This income funds 47% of expenditure on GF services (excluding housing benefits payments which is funded through government subsidy) and is planned to grow over the medium term. A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income. The Council is also exposed in some areas to competitive forces, for example the private sector housing market.

7. Performance against our priorities

To help us improve and demonstrate progress, we use a performance management framework. This helps us to:

- Focus on the council priorities set up in the corporate plan
- Set targets aimed at improving services and measure progress
- Be accountable to our residents

For further information on the Council's performance, please click <https://norwichperformance.inphase.com/> for the Citizen's Portal which highlights the Council's performance for each performance indicator. The performance for the financial year 2017/18 is shown in summary form in the pages that follow. (Green-means Succeeding, Amber- on track, and Red- needs improvement).



SAFE, CLEAN AND LOW CARBON CITY

We want to ensure that Norwich is safe and clean for all citizens and visitors to enjoy and that we create a sustainable city where the needs of today can be met without compromising the ability of future citizens to meet their own needs.

- The council is at the forefront of building new homes to the highest of environmental standards, known as Passivhaus. Our Goldsmith Street development of 93 social houses is one of the largest collections of Passivhaus currently under construction in the UK.
- In 2017 we have achieved a 54.1 per cent reduction in carbon emissions against our target of 40 per cent by 2019. Fuel poverty levels in Norwich have fallen so that they are now below the national averages. We will keep to our commitment to support people through our successful affordable warmth initiatives such as Cosy City and Big Switch & Save. Our residents continue to express high levels of satisfaction with the quality of our parks, further improvements will be sought in order to achieve the challenging performance target

Measure		Actual	Target	RAG
SCL13 % change in the number of cyclists counted at automatic count sites	17-18	*	5.0	-
	16-17	-	-	-
SCL08 % of adults cycling at least 3x per week for utility purposes	17-18	12.0	14.0	▲
	16-17	-	-	-
SCL03 % of people feeling safe	17-18	60.2	78.0	▲
	16-17	75.0	77.0	●
SCL12 % of people satisfied with their local environment	17-18	67.9	80.0	▲
	16-17	85.3	78.0	★
SCL11 % of people satisfied with parks & open spaces (Q)	17-18	78.7	85.0	▲
	16-17	92.1	75.0	★
SCL01 % of streets found clean on inspection	17-18	87.3	89.5	●
	16-17	90.9	94.0	●
SCL04 Residual household waste per household (Kg)	17-18	397.4	380.3	●
	16-17	407.7	402.0	●
SCL06 % of residential homes on a 20mph street	17-18	44.4	45.0	●
	16-17	39.3	38.0	★
SCL02 % of people satisfied with waste collection	17-18	82.7	85.0	●
	16-17	73.4	85.0	▲
SCL05 % of food businesses achieving safety compliance	17-18	95.9	90.0	★
	16-17	96.0	90.0	★
SCL07 Number of accident casualties on Norwich roads	17-18	365	400	★
	16-17	453	400	▲
SCL09 % reduction CO2 emissions for the local area	17-18	4.4	2.4	★
	16-17	13.5	2.4	★
SCL10 % reduction CO2 emissions from local authority operations	17-18	14.6	2.2	★
	16-17	8.7	2.2	★

* The automatic counter sites have picked up erroneous data and therefore accurate data is not available for this indicator. A full review will be undertaken in 2018-19 to ensure the data is more reliable



PROSPEROUS AND VIBRANT CITY

We want Norwich to be a prosperous and vibrant city in which businesses want to invest and where everyone has access to economic, leisure and cultural opportunities.

- The council is working with partners to support the development of major infrastructure which will help to support the growth of the city. This includes the Northern Distributor Road, now part opened and due for completion in April 2018, and the development of the Airport Industrial Estate to retain existing businesses and attract new ones.
- Following a successful ballot of businesses, the Norwich Business Improvement District now has a remit to invest in the vitality of the whole of the city centre. We continue to build on the positive partnerships which support our programme of free events and work well with the creative sector to help the city's unique cultural offer to thrive.
- A number of city centre development sites continue to progress, including St Anne's Quarter.

Measure		Actual	Target	RAG
PVC8 % of people satisfied with leisure and cultural facilities	17-18	85.0	95.0	▲
	16-17	95.4	90.0	★
PVC09 Amount of visitors at council ran events	17-18	98,945	85,200	★
	16-17	-	-	-
PVC03 Amount of funding secured by the council for regeneration activity (4 year rolling average)	17-18	£6,051	£2,000	★
	16-17	£4,166	£250	★
PVC1 Number of new jobs created/ supported by council funded activity	17-18	327	300	★
	16-17	325	300	★
PVC6 Planning service quality measure %	17-18	90.0	83.0	★
	16-17	91.0	83.0	★
PVC2 Delivery of the council's capital programme %	17-18	81.0	80.0	★
	16-17	70.0	80.0	●
PVC07 No. of priority buildings on the 'at risk register' saved from decay by council interventions	17-18	1	1	★
	16-17	-	-	-



FAIR CITY

We want Norwich to be a fair city where people are not socially, financially or digitally excluded and inequalities are reduced as much as possible.

- We have adopted a new social value framework for procurement of goods and services, which builds on Living Wage and other social and environmental benefits.
- The number of Living Wage employers in the city is increasing. We continue to demonstrate our commitment to this by paying all our staff, and the staff of our contractors who provide services in Norwich, the 'real' Living Wage.
- Our approach to working in neighbourhoods and cross agency includes locality working in Lakenham to join up local services and build capacity to identify and address local issues of inequality. The next phase of this project will be to develop social prescribing and access to non-clinical services for those with multiple needs visiting their GP, often provided by the voluntary and community sector. Our targeted support for tenants and residents to help them navigate the challenges of Universal Credit has been well received.

Measure		Actual	Target	RAG
FAC02 % of people who felt their wellbeing had been improved following receiving advice	17-18	65.0	86.0	▲
	16-17	100.0	86.0	★
FAC06 % of comm. org. who pay the living wage for services delivered on behalf of NCC	17-18	97.0	100.0	●
	16-17	-	-	-
FAC1 Delivery of the reducing inequalities action plan %	17-18	100.0	100.0	★
	16-17	93.0	100.0	▲
FAC3 Delivery of the digital inclusion action plan %	17-18	100.0	100.0	★
	16-17	65.0	60.0	★
FAC4 Timely processing of benefits %	17-18	100.0	100.0	★
	16-17	100.0	100.0	★
FAC5 No of private sector homes where council activity improved energy efficiency (YTD)	17-18	800	165	★
	16-17	434	150	★



HEALTHY CITY WITH GOOD HOUSING

We want to ensure that people in Norwich are healthy and have access to appropriate and good quality housing.

- Norwich City Council will build new homes through the council owned company, Norwich Regeneration Company. The new development at Rayne Park will see 172 new homes being built during the first phase. This will be a mixture of social rented housing and private properties for sale and rent.
- We will endeavour to contribute to the health of residents by working in partnership with our colleagues in the Healthy Norwich Partnership, for example developing the 'daily mile' which encourages activity in primary school children.

Measure		Actual	Target	RAG
HCH04 Affordable Homes measure	17-18	117	200	▲
	16-17	38	180	▲
HCH1 Delivery of the Healthy Norwich action plan %	17-18	95.0	100.0	●
	16-17	91.0	100.0	●
HCH2 Relet times for council housing	17-18	17	16	●
	16-17	16	16	★
HCH03 No of empty homes brought back into use	17-18	45	20	★
	16-17	31	20	★
HCH5 Preventing homelessness %	17-18	67.5	60.0	★
	16-17	62.2	55.0	★
HCH6 % of people who feel that the work of the HIA has enabled them to maintain independent living	17-18	95	90	★
	16-17	88	90	●
HCH7 % of council properties meeting Norwich standard	17-18	97.9	97.0	★
	16-17	97.7	97.0	★
HCH8 % of tenants satisfied with the housing service	17-18	84.0	83.0	★
	16-17	86.0	77.0	★
HCH9 No of private sector homes made safe	17-18	102	100	★
	16-17	105	100	★



TO PROVIDE VALUE FOR MONEY SERVICES

The council is committed to ensuring the provision of efficient, effective and quality public services to residents and visitors. Whilst we will continue to face considerable savings targets over the next five years, we will continue to protect and improve those services our citizens' value most as much as we possibly can.

- We achieved new net income streams to help replace government cuts in funding by acquiring commercial property, investing in our company, Norwich Regeneration Limited, and through the award-winning Rose Lane car park.
- We have improved our finance and performance reporting so it supports good decision making and strategy.
- The council has committed to putting services online where possible, to allow people to transact with us 24/7, while importantly continuing to supporting those who face digital exclusion.
- We have also sought to improve the social value of the things we buy through the adoption of a new social value framework.

Measure		Actual	Target	RAG
VFM5 Channel shift measure %	17-18	17.1	19.4	▲
	16-17	14.1	8.0	★
VFM8 % of customers satisfied with the opportunities to engage with the council	17-18	44.0	54.0	●
	16-17	59.0	52.0	★
VFM02 Council achieves savings target	17-18	£2.1m	£0	★
	16-17	£2.3m	£2.3m	★
VFM1 % of residents satisfied with the service they received from the council	17-18	75.3	75.0	★
	16-17	99.4	93.0	★
VFM4 Avoidable contact levels %	17-18	33.4	35.0	★
	16-17	30.2	15.0	▲
VFM6 % of income owed to the council collected	17-18	96.7	95.0	★
	16-17	97.4	95.0	★
VFM7 % of income generated by the council compared to expenditure	17-18	51.8	45.2	★
	16-17	49.6	44.2	★
VFM9 Delivery of local democracy engagement plan	17-18	2	2	★
	16-17	2	2	★

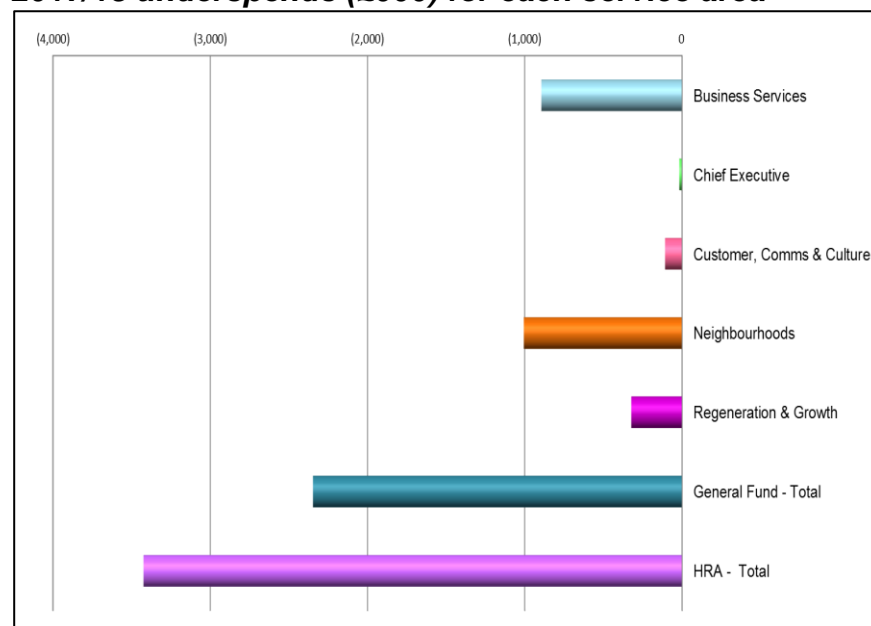
8. 2017/18 Financial Performance

Revenue Position

2017/18 actual against budget for each service area

Cost of Services	Budget £000	Actual £000	Variance £000
Business Services	-15,928	-16,822	-894
Chief Executive	202	185	-17
Communications & Culture	2,152	2,045	-108
Regeneration & Growth	12,921	11,916	-1,005
Neighbourhoods	652	330	-322
Housing Revenue Account	0	-3,624	-3,624
Net revenue expenditure	0	-5,970	-5,970

2017/18 underspends (£000) for each service area



2017/18 General Fund outturn

General Fund	Budget £000	Actual £000	Variance £000
Expenditure	156,879	151,951	(4,928)
Income	(53,472)	(51,791)	1,681
Grants and subsidies	(103,407)	(102,506)	901
Total in year underspend	(0)	(2,346)	(2,346)
Budgeted reserves used in year			688
Transfer 2016/17 underspend to invest to save			500
Transfer 2017/18 underspend to invest to save			2,060
Transfer to commercial property earmarked reserve			123
Transfer to NRL earmarked reserve			50
Transfer to elections earmarked reserve			113
Total movement in GF reserve (as shown in the Movement in Reserves Statement)			1,188

The final outturn for the General Fund is a surplus of £2.3m which represents 1.5% of the gross expenditure budget reflecting sound financial management and good budgetary control.

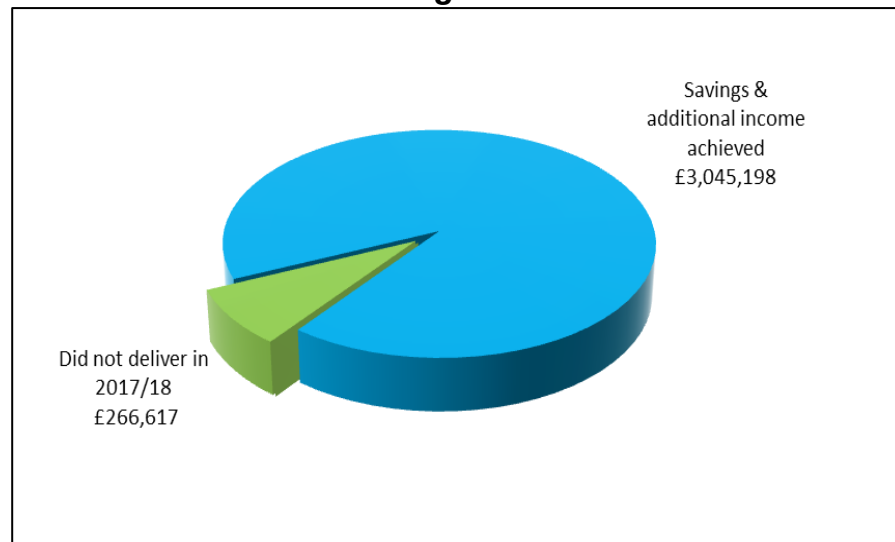
Detailed information on how service areas performed against budget in 2017/18 is provided in the outturn report to Cabinet on 13 June 2018.

Significant key variances are as follows:

- £1.5m underspend on employee costs including pension fund deficit contributions
- £0.7m reduction in recharge income to the Housing Revenue Account (HRA)
- £0.3m unspent corporate contingency budget
- £0.3m reduction in Non-Domestic Rates tariff applied by central government
- £0.3m underspending on responsive repairs budgets across non-housing property
- £0.3m underspending and increased income within Citywide Services (Neighbourhoods)

- £0.1m reduction in Minimum Revenue Provision (MRP) arising from back-dating of new MRP Policy agreed by Council in January 2018
- £0.1m additional grant income – relating to New Burdens for housing subsidy payments

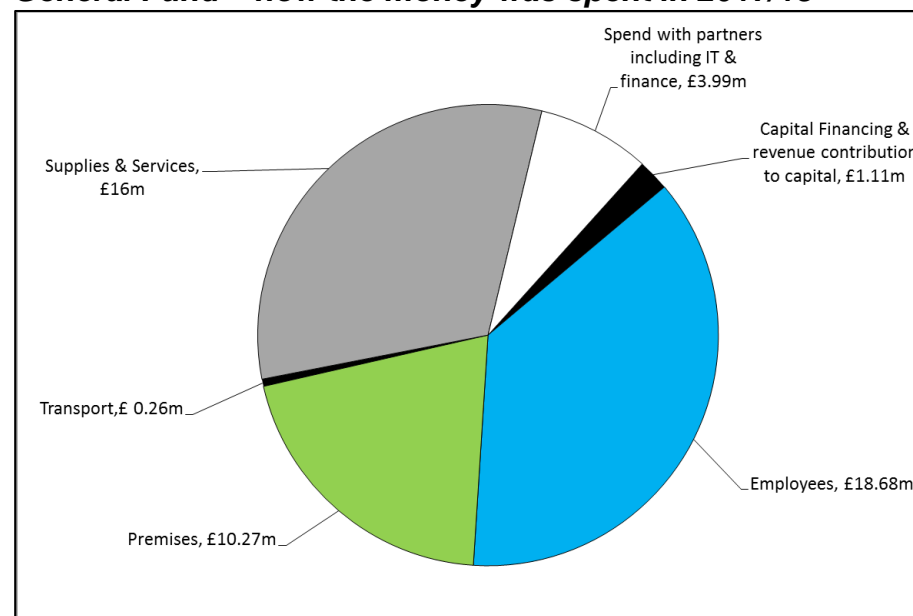
2017/18 General Fund Savings achieved



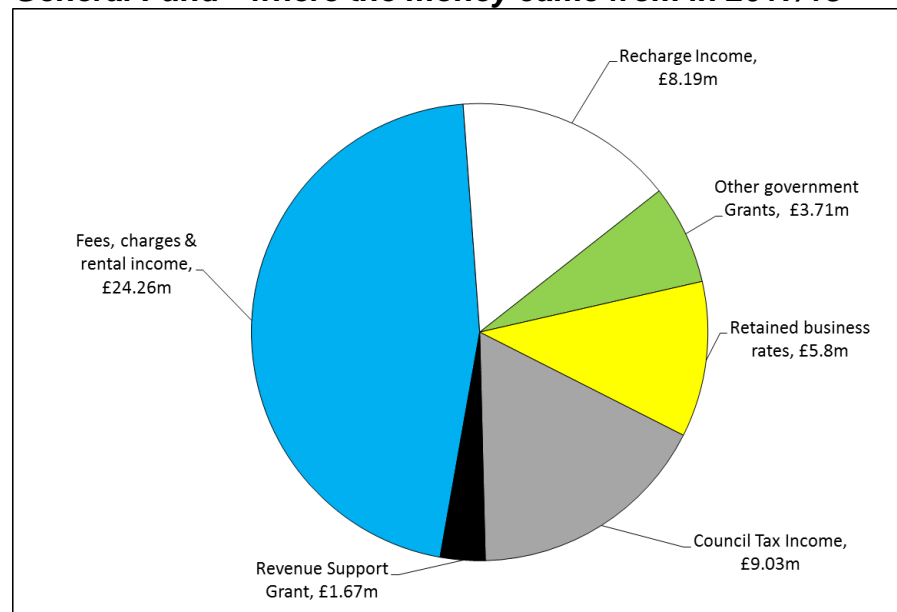
The 2017/18 budget included a target of £3.312m of budget savings or increased income. 92% of the target had been delivered by year end. The undelivered element was more than met by unbudgeted savings and additional income as mentioned in the previous paragraph.

The following pie charts show how the money was spent (excluding housing benefit payments) and where the money came from in 2017/18.

General Fund – how the money was spent in 2017/18



General Fund - where the money came from in 2017/18



2017/18 Housing Revenue Account outturn

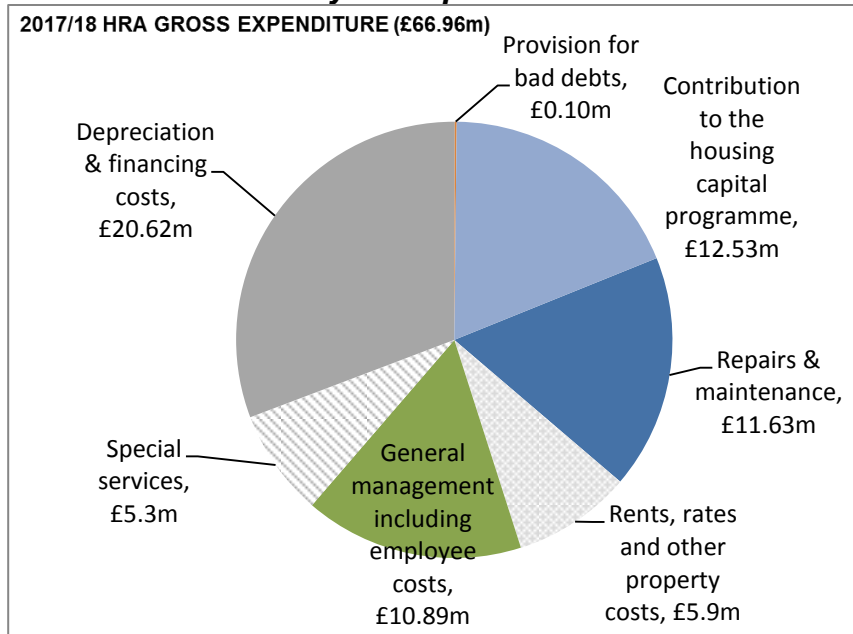
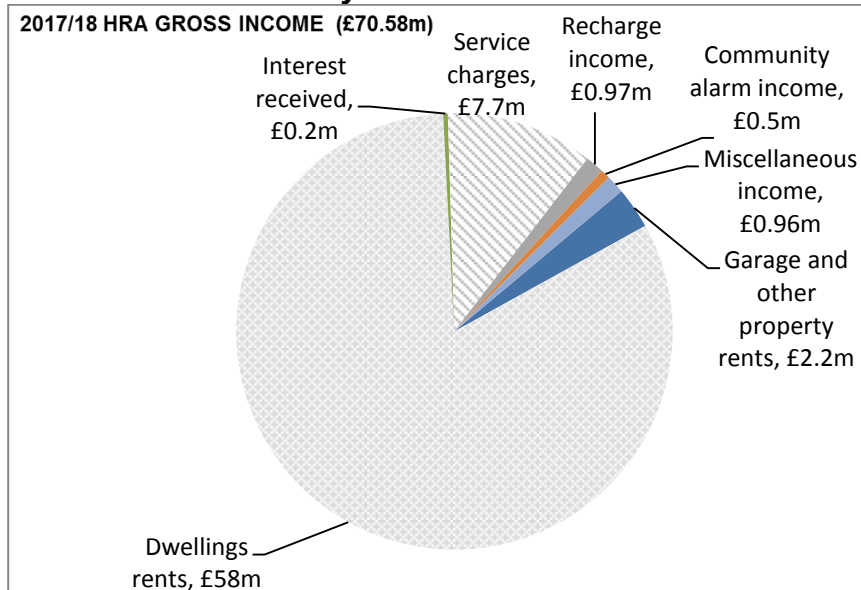
Housing Revenue Account (HRA)	Budget £000	Actual £000	Variance £000
Expenditure	70,764	66,959	(3,805)
Receipts	(70,764)	(70,583)	181
Total in year underspend	(0)	(3,624)	(3,624)
Budgeted reserves used in year			3,020
Transfer to HRA invest to save reserve			500
Total movement in HRA reserve (as shown in the Movement in Reserves Statement)			(104)

The final outturn position for the HRA is a surplus of £3.6m which represents 5% of the total expenditure budget.

This is largely a result of the need for responsive repairs on HRA dwellings being less than anticipated by £2.5m. Capital investment in planned works over the last five years has meant that old items have been replaced before they start to fail and require funding from the responsive repairs budget. The other significant area of underspending was in HRA general management including staffing costs and the HRA contingency budget.

Reserves position

This is shown in the 2017/18 Statement of Accounts section of this narrative report in section 9.

HRA – how the money was spent in 2017/18**HRA- where the money came from in 2017/18**

Capital Position

2017/18 capital outturn

Fund	Budget £000	Outturn £000	Variance £000
General Fund capital	75,182	19,222	-55,960
Housing capital	59,345	28,636	-30,709
Total	134,527	47,858	-86,669

2017/18 funding of the capital programme

SOURCE OF FUNDING	£000
Internal borrowing (use of cash balances)	13,990
Revenue Budget (RCCO)	13,273
Major Repairs Reserve (MRR)	7,001
Retained One for One RTB (Right To Buy) Capital Receipts	6,628
Other capital receipts	656
City Cycle Ambition Grant	2,530
Leaseholder Contributions	1,159
Grant funding	1,671
Section 106	316
CIL (Community Infrastructure Levy) Strategic Pool	635
FUNDING OF 2017/18 CAPITAL PROGRAMME	47,858

The Council decided in February 2018, as part of the 2018/19 budget setting report, to change its approach to how and when it agrees schemes and projects for inclusion in the capital budget. It decided that for large projects and those requiring the council to borrow in order to finance, such schemes would only be approved and included in the budget once a robust Business Case has been submitted to the Council and the scheme is ready to implement.

The General Fund capital budget agreed for 2017/18 was partly aspirational in that a number of large projects had been included which were not ready to be implemented in that financial year and have not therefore spent any of the budget allocated to them.

The biggest of these was the £4.4m budget approved for investment in the redevelopment of the airport industrial estate including related demolition costs of property at Hurricane Way. Whilst no actual capital expenditure has yet been incurred, Norwich City Council and Norfolk County Council have appointed a joint Project Manager for the scheme and soft-market testing has just concluded to assess potential private sector interest in redeveloping the estate as a Joint Venture partnership.

In addition, £16.2m was approved in the General Fund capital budget to lend to the Council's wholly owned company, Norwich Regeneration Limited (NRL) so that it could develop new housing at Rayne Park (part of the Threescore land development). Whilst £10.7m was lent to NRL during 2017/18 this isn't, in accounting terms, capital expenditure but is a balance sheet transaction. There is therefore no capital expenditure to report alongside the budget approved for the loan.

A sum of £40m was approved in the 2017/18 General Fund capital budget for commercial property acquisition. This is part of a programme of upgrading and growing the Council's existing investment property portfolio by selling smaller, less valuable assets and/or assets that take a lot of management time, and replacing them by better quality and higher yielding investment property.

£13.6m was spent in 2017/18 on acquiring three new investment properties whilst the acquisition of another property (£10m) concluded just after the end of the financial

year in April 2018. £16m of the budget remains uncommitted to carry forward into 2018/19 although the pace of spending the money is dependent on good and relevant investment opportunities becoming available in the market. The purchase of these properties has more than achieved the new net income target for commercial rental income set in the MTFS (£75k in 2017/18 and £400k in 2018/19).

During the 2017/18 financial year, the housing capital programme delivered upgrades to over 3,700 council homes, including over 500 new kitchens, 600 new bathrooms, and 500 heating installations. Over 400 properties have benefitted from structural or roofing upgrades. Additionally, over 1,600 doors were replaced including 283 in tower blocks as part of a programme to improve fire resistance.

The development of new council homes has continued, with 10 homes completed at Hansard Close. Work also commenced on the 93 homes being built at Goldsmith Street, although some delay on site has meant that £7m of budget was not spent last year and will carry forward into 2018/19. In addition to being one of the largest residential Passivhaus schemes in the UK, the design of the Goldsmith Street development was a project winner at the 2016 Housing Design Awards and voted as one of the top 10 architectural schemes by The Times.

Grants of Right to Buy receipts to Registered Providers have also enabled the development of a further 177 new affordable homes in the city.

Detailed information on 2017/18 performance against the capital budget is provided in the outturn report to Cabinet on 13 June 2018.

Architect's impression of Goldsmith Street



9. 2017/18 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2018 and its financial position at that date.

It comprises core and supplementary statements together with disclosure notes.

The format and content of the financial statements are prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code requires that the accounts give a true and fair view of the financial position of the Council and are prepared

on the basis that the Council is a going concern. In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Statement also includes for the first time the financial performance and position of the Council's wholly owned company, Norwich Regeneration Limited, now that the company has reached the financial size required for it to be consolidated within the Council's accounts.

The purpose and key figures to note for each of the key statements are described in the following sections of this narrative report.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis essentially reconciles the figures given in the budget outturn position to those included in the Comprehensive Income and Expenditure Statement (CIES) which follows the Analysis.

The CIES shows the accounting cost for the year of providing the Council's services. This is not the same as the budget outturn information. The accounting cost is determined in accordance with generally accepted accounting principles (contained within the Code) whilst the budget, and the year-end outturn against the budget, has to comply with local government legislation.

The Code requires that councils make a number of adjustments to the budget outturn results to determine the accounting costs and income shown in the Statement of Accounts. For example, large adjustments are made for the accounting treatment of fixed assets (depreciation) and pension costs. These costs, whilst shown in the CIES

because they are required under accounting standards, are not included in the Council's annual budget nor funded from Council Tax.

The inclusion of such costs in the CIES is to enable comparison of a council's Statement of Accounts with other organisations, both public and private sector.

The Expenditure Funding Analysis allows a link to be made between year-end outturn against the budget to the financial position as set out in the financial statements.

Key figures to note:

<p>Net (Surplus) / Deficit on General Fund and HRA balance in year</p>	<p><i>This part of analysis shows how annual expenditure is used and funded from resources (government grants, fees & charges, council tax and business rates).</i></p> <p>For the General Fund the year-end outturn position is a surplus of (£2.783m), alongside total transfers to reserves of £3.971m in line with the proposed approach to managing reserves set out in the Medium term financial Strategy</p> <p>For the HRA the year-end outturn is a surplus of (£0.902m), alongside total transfers to reserves of £0.797m. This results in an overall increase in general fund reserves of £0.105m.</p>
<p>Adjustments between the funding & accounting basis</p>	<p><i>This part of the analysis shows the adjustments that have been made in order to comply with generally accepted accounting practices.</i></p>

	<p>These total £54.8m and comprise:</p> <ul style="list-style-type: none"> • Depreciation & Impairment • Revaluation gains/losses • Capital grants and contributions credited to the CIES • Reversal of the HRA depreciation charge • Pension reserve adjustments • Collection fund adjustment account adjustments.
Net expenditure in the CIES	<p><i>This shows the accounting cost of providing each service (shown also in the CIES) after adding together the year-end outturn position against the budget with the adjustments required under accounting standards.</i></p> <p>It is a surplus of £58.5m</p>

Comprehensive Income and Expenditure Statement (CIES)

The CIES records all of the Council's income and expenditure for the year and has two parts:

- The first part reflects the accounting cost of providing the Council's services with the results summarised at the Surplus or Deficit on the Cost of Services line. In the private sector this would be equivalent to the profit or loss of a company.

- The second part, showing other comprehensive income and expenditure, shows the gains or losses in the measurement of the council's assets and liabilities. These gains and losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension liabilities.

Key figures to note:

Cost of Services	<p><i>This shows expenditure on continuing operations analysed by service area (based on the way the Council operates and manages its services). These lines are reconciled to the budget outturn position in the Expenditure & Funding Analysis.</i></p> <p>The 2017/18 cost of services is a surplus of (£35.77m) compared to (£1.56m) surplus in 2016/17.</p> <p>The main reason for the movement is the gain in value of the Council's HRA dwellings arising from a higher asset revaluation in 2017/18 compared to the prior year.</p>
Other operating income & expenditure	<p><i>This includes the surplus or deficit from the sale of property, plant or equipment.</i></p> <p>Total other operating income and expenditure is a (£3.3m) surplus largely arising from an increased gain on the disposal of HRA dwellings (against the carrying value of the properties).</p>

Financing and investment income and expenditure	<p><i>Includes interest receivable and payable, net rental income on the properties held purely for investment purposes; and the interest element of the pension fund liability.</i></p> <p>The net costs have decreased from 2016/17 mainly due to lower interest costs following the scheduled repayment of £7m of borrowing in 2017/18.</p>
Other income & expenditure	<p><i>This includes surplus/deficit on revaluations of non-current assets and actuarial gains/losses on the local government pension scheme. These are both calculated annually by our property valuers and actuaries. These items are non-cash transactions and do not impact on the general fund reserve balances, being reversed out through the Movement in Reserves Statement.</i></p>

Movement in Reserves Statement (MIRS)

The MIRS shows the movement from the start of the year to the end on the different reserves held by the council. It shows how the movements are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to the budget as required under local government legislation.

Reserves are important to local authorities as, unlike central government, they cannot borrow money over the medium-term, other than for investment in assets, and they are

required to balance their budgets on an annual basis. They are therefore a vital part of prudential financial management and help reduce the financial risks mentioned earlier in this narrative report.

Reserves are analysed into two categories: usable and unusable.

Usable reserves

- Result from the Council's activities
- Members are involved in deciding on the levels maintained and their use
- Can be spent in the future
- Include: general fund, HRA, earmarked reserves, capital receipts reserve, major repairs reserve, and capital grants unapplied

Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include: revaluation reserve and capital adjustment account

Key figures to note:

Opening Balances	<i>These are the same as the previous year's closing balances.</i>
Total comprehensive income	This is £85.98m and agrees with the Comprehensive Income and Expenditure Account.

Adjustments between accounting basis & funding basis under regs.	<p><i>These are made as the result of regulation and are adjustments that are required by accounting standards or statute.</i></p> <p><i>For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute however requires that these are removed from the general fund in order to calculate the amount of useable general fund reserves.</i></p> <p>Overall net adjustments of (£37.5m) have been made to the useable reserves.</p>
Transfers to/from earmarked reserves and between reserves (voluntary transfers)	<p><i>These are made as a result of the authority's decisions.</i></p> <p><i>Voluntary transfers include the earmarking of reserves, which is the setting aside of cash to fund specific longer-term objectives & spend.</i></p> <p>The main transfers in year have been into the general fund and HRA invest-to-save reserves, Section 31 grant reserve and the insurance reserve. In addition three new earmarked reserves have been created: Commercial property reserve, Norwich Regeneration Ltd reserve, and the Elections reserve.</p>

Closing Balances	<p>These agree with the figures shown in the Balance Sheet with total usable reserves of £101m and unusable reserves of £577m.</p>
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A description of each of the Council's useable reserves and the amount held in the reserve as at the end of 2017/18 is shown below.

Reserve	Purpose	Amount as at 31/3/18 (£000)
GENERAL FUND RESERVES		
General reserve	<p>This is a usable reserve which has not been earmarked for a specific future use. However, the agreed MTFS strategy is to use this reserve over the next 4 years to part fund the annual budget.</p>	13,156
Invest to save reserve	<p>The reserve has been set up to support the delivery of savings and efficiencies through the Fit for the Future programme. The reserve is expected to be utilised to support the implementation of a new operating model, IT investment and increased capacity in commercial, property and place shaping activities over the next 2-3 years.</p>	2,648

Revenue grants unapplied reserve	This holds the grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific expenditure/service area awarded the grant income.	2,072
S31 Earmarked reserve	This holds the unutilised balance of the S31 grant monies received in 2016/17 and 2017/18 from central government to fund Business Rates relief. These monies will be transferred to the General Fund Reserves as and when required to offset any future Business Rates deficit.	2,165
Insurance reserve	This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.	681
Commercial property reserve	Has been established to reduce the risks associated with holding commercial property by providing funding for any future void and rent free periods as well as repairs and upgrades to the investment property portfolio. This is the first year for the earmarked reserve and it is anticipated that the amounts put aside for this purpose will increase in 2018/19 onwards.	123

Elections reserve	This is to provide funding for future elections, the cost and funding of which varies each year depending on the type of elections being held.	113
Mousehold Conservators Reserve	Set aside for use on Mousehold Heath.	8
NRL reserve	This reserve has been established to smooth any fluctuations in net income received by the Council from lending to NRL. It will provide a buffer in case the income is lower than anticipated due to the company not borrowing as much or as early from the council as planned (e.g. due to delays in construction). This is the first year for the earmarked reserve and it is anticipated that the amounts put aside for this purpose will increase in 2018/19 onwards.	50
HOUSING REVENUE ACCOUNT (HRA) RESERVES		
General reserve	This is also a usable reserve which has not been earmarked for a specific future use. The use of this is incorporated into the HRA business plan.	30,488
Invest to save reserve	This will fund the HRA's share of implementing the Fit for the Future programme (see above).	500

CAPITAL RESERVES		
Major Repairs Reserve (MRR)	The MRR is a statutory reserve which can only be used to fund new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.	7,000
Capital Receipts Reserve	<p>The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which can only be used to fund capital expenditure. Some of this reserve will already be committed for schemes that are progressing or have been approved in the future capital programme. The breakdown of the reserve is as follows:</p> <ul style="list-style-type: none"> £2.9m General Fund – earmarked to fund the 5 year capital programme £14.9m HRA - included within HRA Business Plan funding (awaiting housing strategy for specific schemes) £16.1m HRA Retained One for One receipts - earmarked for new build social housing but can only fund 30% of total cost of scheme. 	33,997

Capital grants unapplied	This holds the grants and contributions received towards capital projects which have yet to be applied to fund expenditure. The use of the balance is restricted and can only be used to fund the specific capital projects awarded the grant income.	8,079
TOTAL USEABLE RESERVES		101,080

Balance Sheet

The Balance Sheet provides a “snapshot” of the Council’s position at a specific point in time showing what it owns and owes as at 31 March 2018. It is very similar to other public sector or private sector balance sheets.

The Balance Sheet is always divided into two halves that should, as the name suggests, balance:

- Net Assets (the top half), and
- Reserves (the bottom half).

The Council continues to maintain a strong balance sheet with net assets of £678m. With a current ratio (current assets/current liabilities) of 2.2:1, the Council is able to pay all its short term liabilities with current assets and is holding cash and cash equivalents of £28m.

Key figures to note:

<p>Non-current assets including:</p> <ul style="list-style-type: none"> • Property, plant & equipment • Heritage assets • Intangible assets • Investment property • Long term debtors 	<p><i>Non-current assets have a life of more than one year. For most authorities, including Norwich City Council, the biggest balance by far is property, plant and equipment. These are tangible (i.e. physical) assets that are used to deliver the authority's objectives and services.</i></p> <p><i>With some exceptions they need an existing use value. Any changes in valuations are matched by changes in reserves (generally the unusable revaluation reserve).</i></p> <p>Plant, property and equipment has been valued at £921.4m as at 31 March 2018 - an increase of £58.2m from the prior year mainly driven by asset additions of £25m and upwards revaluations on council dwellings of £34m. The Council dwelling valuations are undertaken annually by qualified valuers.</p> <p>As at 31 March 2018 there were 14,807 HRA council dwellings, this is a reduction of 180 units from 2016/17 mainly due to right to buy sales.</p> <p>Although much smaller in value than property, plant and equipment, a significant change from 2016/17 is the</p>
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	<p>value of the Council's investment property. The value has increased by £15.0m during 2017-18. This is largely due to new acquisitions of £13.6m on three commercial properties.</p> <p>Long term debtors total £21m at 31 March. The balance has increased by £10.6m during the year; this is mainly due to a further loan payment to the Council's wholly-owned subsidiary Norwich Regeneration Ltd of £10.7m.</p> <p>Other significant debtor balances relate to Housing Benefit overpayments (£2.3m) and Decent Homes Loans (£2.2m).</p>
<p>Current assets</p>	<p><i>These are assets that are either held as cash or other assets that, in the normal course of business, will be turned into cash within a year of the balance sheet date.</i></p> <p>Cash & cash equivalents total £28m at 31 March 2018. The balances have increased by £9.5m from the prior year. Short term investments however total £23m, which is a decrease of £33m from the prior year.</p> <p>Investments were liquidated during the year in order to fund commercial investment property purchases and to fund the loan to Norwich Regeneration Ltd. The returns from these activities</p>

	<p>are higher than the interest income obtainable in the market for short term cash investments.</p> <p>Short term debtors includes housing rent debt, VAT recovery claim, collection fund debtors, trade receivables and a receivable of £1.7m for the DfT Cycle Safety Grant.</p>
Current Liabilities	<p><i>Short term creditors include trade creditors, collection fund shares for central government and Norfolk County Council and year end expenditure accruals. These are amounts which are anticipated to be settled within 12 months.</i></p> <p>The short term creditors balance has reduced by £7.4m from 16/17 due in part to reductions in the Housing Benefit subsidy creditor of £1.8m and a reduction in the central government share of the Non-Domestic Rate collection fund of £1.3m.</p>
Long term liabilities & provisions	<p><i>Includes borrowings, any amounts owed for leases and an estimate for the cost of meeting the council's pensions obligations earned by past and current members of the pension scheme.</i></p> <p>Borrowing - Overall borrowing (long term and short term) has reduced from £210m to £203m due to the scheduled repayment of £7m of HRA debt. The</p>

	<p>Council has taken no new borrowing during the year. Long term borrowing is disclosed and analysed in Note 18.</p> <p>Provisions – represent future liabilities over how much the authority owes or when it will have to pay.</p> <p>The Council's most significant provision relates to Business Rates valuation appeals. Following localisation in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations. Norwich has a high degree of exposure to risk in this regard due to the number and size of rateable properties in the area. The Council currently has 197 rating appeals outstanding.</p> <p>The provision allowance has been increased in 2017/18 to provide coverage of the new 2017 ratings list. To date only a small number of rating challenges have been received and a provision has therefore been created based on historic appeals trends until further information is available.</p> <p>Pension Liabilities - The Council has net pension liabilities of £178m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets</p>
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invested in the pension fund.

The Council's pension has to be revalued every three years to set future contribution rates. The latest triennial valuation took place at 31 March 2016.

Statutory arrangements are in place for funding the deficit, which will be by increased employer contributions over the remaining working life of the employees. Details of the Council's pension liability calculated under IAS19 are shown at note 45 of the core financial statements.

Cash Flow Statement

This shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The statement also includes "cash equivalents" which are short term investments that are readily convertible into cash and which are subject to only insignificant risks of changes in value.

Cash flows are related to the income and expenditure seen in the CIES but are not the same as them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, and not when the cash was paid or received.

Key figures to note:

The statement shows that the Council has increased its cash and cash equivalents by £9.5m over the year to give a closing balance of £28.4m.

The cash flow adjusts the CIES net surplus for the impact of non-cash transactions including asset revaluations (£41m), depreciation of £16m, and the movement in debtors and creditors. After adjustments there was a net cash inflow of £18m from operating activities.

Within the investing activities the main cash outflows related to the purchase of plant property and equipment (£26m), the purchase of investment properties (£14m), and a further loan to Norwich Regeneration Ltd (£11m). This was offset by the conversion of £33m of short term investments into cash and cash equivalents to fund the commercial property investments and loan to NRL.

The main movement in the financing activities was a cash outflow arising from the scheduled repayment of £7m of HRA borrowing.

Housing Revenue Account (HRA)

This Statement shows the income and expenditure incurred by the Council as a provider of social housing under the Local Government & Housing Act 1989. It is a ring-fenced account, so it cannot subsidise or be subsidised by other Council activities.

Key figures to note:

The statement shows that the HRA surplus for the year has increased from £24m in 2016/17 to £58m in 2017/18. This has arisen from revaluation gains.

Collection Fund

The Collection Fund shows the total income received by the Council from Business Rates and Council Tax and how the redistribution of some of that money to Norfolk County Council, Norfolk Police Authority, and central government.

Key figures to note:

In 2017/18 a total of £75.6m was raised in Business Rates and £62.2m in Council Tax.

Overall the non-domestic rates element of the collection fund is in a £2.5m deficit position. This is due to additional reliefs being given by central government and reductions in the gross rateable values. This deficit will be shared across the relevant bodies (Norwich City Council, Central Government and Norfolk County Council) in 2018/19.

Additional grant income has been received into the General Fund from Central Government during 2017/18 to offset the impact of the new reliefs given. This has been set aside in an earmarked reserve and will be transferred back into the revenue budget to offset the impact of the deficit on the general fund in future years.

The council tax element of the collection fund is showing a £5.3m surplus. This will be distributed to the relevant bodies in future years.

Group Financial Statements

Group accounts need to be prepared if the council has a significant subsidiary such as a trading company. The Group Accounts report the full extent of the assets and liabilities of the Council and the companies and similar entities which the Council either controls or significantly influences.

The Council is presenting Group Accounts for the first time this year, on the grounds of materiality, by consolidating the financial performance and position of Norwich Regeneration Limited (NRL) into the overall group.

NRL is a private limited company wholly owned by Norwich City Council. It was incorporated on 13 November 2015.

The company's vision and over-arching objective is to deliver sustainable and balanced communities primarily in Norwich. Its aims are to:

- Accelerate housing delivery in the City
- Catalyse regeneration opportunities
- Generate a return for the council's General Fund.

NRL's first project is housing development at Rayne Park. This commenced on site in May 2017 and has progressed well during the 2017/18 financial year. This is a 172 dwelling development, of which 112 dwellings are being built to passivhaus standards. The development includes 33% affordable housing (85% social rent (to be purchased by the Council's Housing Revenue Account), and 15% shared equity) with the remainder of the units being private dwellings to be sold or rented on the private market by the company.

Rayne Park Development



The show homes were completed in January 2018 to allow the first properties for private sale to be released on the market. Interest has been strong with reservations already made. The first residents are due to move in in May 2018.

The company's Business Plan for the next three years includes further housing development at the Threescore site, at Ber Street, and at Hurricane Way. Other developments are also being actively considered.

In order to finance the development, NRL borrows money at commercial interest rates from the Council. In 2017/18 NRL

drew down loans totalling £10.7m in anticipation of meeting its cashflow requirements for the on-going development.

Norwich Regeneration Limited made an operating loss for 2017/18 of £686k. This was anticipated in the company's Financial Model as housing development was still under construction in 2017/18 and no dwellings were sold or rented to the market during the year other than dwellings sold to the Council's Housing Revenue Account under a Development Agreement.

The company however has long term assets (land and investment property) - property that it will rent on the private sector market valued at £5.8m. In addition it has property to be sold to the market (once completed) valued at £3.9m.

A Statement of Accounts for Norwich Regeneration Limited has been prepared and audited by Aston Shaw. The accounts were approved by the company's Board of Directors on 14th June 2018. A copy of the accounts may be obtained by request to the Council.

Additional disclosures

The notes to the financial statements include important information and provide the context and detail for the figures in the primary financial statements.

Accounting Policies	<p><i>These set out the accountancy rules the Council has followed in preparing the financial statements.</i></p> <p><i>They are largely specified by International Financial Reporting Standards and CIPFA's Code of Practice.</i></p> <p>There have been no changes made to the accounting policies in the year.</p>
Critical Judgements	<p><i>Show the key areas where officers and third party experts have made judgements about the application of accounting policies.</i></p> <p><i>The aim is to highlight key areas of the accounts where others may have made different judgements about the accounting treatment.</i></p> <p>These are set out in note 3.</p>

Property, plant & equipment	<p><i>The notes gives a lot of detail about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value, and the amount of depreciation charged.</i></p> <p>These are set out in note 14.</p>
Employee remuneration	<p><i>Details of the pay of the most senior officers, all officers' remuneration disclosed in pay bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.</i></p> <p>These are set out in note 37.</p>
Contingent liabilities	<p><i>Details of possible costs that the council may need to meet, but has not yet charged to the CIES because the costs will be confirmed only by the occurrence of future events not wholly within the Council's control. The most common contingent liability is for legal claims.</i></p> <p>These are set out in note 46.</p>

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORWICH CITY COUNCIL

Opinion

We have audited the financial statements of Norwich City Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the Authority and Group Movement in Reserves Statement, Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, and the related notes 1 to 47 to the Authority Accounts and notes 1 to 17 to the Group Accounts, the Expenditure and Funding Analysis to the Council Accounts, the Housing Revenue Account Income and Expenditure Statement and the related notes 1 to 13 and the Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Norwich City Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

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

Conclusions relating to going concern

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

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance 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 for the year ending 31 March 2018'*, other than the financial statements and our auditor's report thereon. The Chief Finance 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

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the "Statement of Responsibilities for the Statement of Accounts" set out on page 34, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Norwich City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Norwich City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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 Norwich City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Norwich City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON
 ERNST & YOUNG LLP
 Mark Hodgson (Key Audit Partner)
 Ernst & Young LLP (Local Auditor)
 Cambridge

Date: 31 July 2018

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate of Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of Norwich City Council as at 31 March 2018 and its income and expenditure for the year then ended.

Signed:

Date: 30 July 2018

Karen Watling
Chief Finance Officer

Certificate of Approval of the Statement of Accounts

Signed:

Date: 24 July 2018

Councillor Ben Price
Chair of Audit Committee
Signed on behalf of Norwich City Council

Expenditure Funding Analysis 2017/18

The Expenditure and Funding Analysis is a note to the Financial Statements, however, it is positioned here as it provides a link from the figures reported in the Narrative Report to the Comprehensive Income and Expenditure Statement (CIES)

	Net Expenditure Chargeable to the GF & HRA balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
Business Services	7,165	3,056	10,221
Chief Executive	693	22	715
Communications & Culture	4,110	636	4,745
Regeneration & Growth	(803)	4,550	3,747
Neighbourhoods	9,491	1,712	11,202
Housing Revenue Account	(12,943)	(53,457)	(66,400)
Net Cost of Services	7,713	(43,482)	(35,770)
Other income & expenditure	872	(4,162)	(3,290)
Financing and Investment Income	6,638	2,327	8,965
Taxation and non-specific grant income	(18,907)	(9,513)	(28,420)
(Surplus) or deficit	(3,685)	(54,830)	(58,515)
Opening General Fund and HRA balance at 31 March 2017	(44,727)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(3,685)		
Transfer between reserves	4,768		
Closing General Fund and HRA balance at 31 March 2018	(43,644)		
Analysed between General fund and HRA balances	General Fund	HRA	Total
Opening General Fund and HRA balance at 31 March 2017	(14,344)	(30,383)	(44,727)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(2,783)	(902)	(3,685)
Transfer between reserves	3,971	797	4,768
In year movement in reserves	1,188	(105)	1,083
Closing General Fund and HRA balance at 31 March 2018	(13,156)	(30,488)	(43,644)

	Adjustments for capital purposes £'000	Net Changes for Pension adjustments £'000	Other Difference £'000	Total Adjustments £'000
Business Services	(1,438)	(306)	(1,311)	(3,056)
Chief Executive	-	(22)	-	(22)
Communications & Culture	(472)	(164)	-	(636)
Regeneration & Growth	(4,312)	(238)	-	(4,550)
Neighbourhoods	(1,517)	(195)	-	(1,712)
Housing Revenue Account	53,727	(270)	-	53,457
Net Cost of Services	45,987	(1,194)	(1,311)	43,482
Other income & expenditure	4,162	-	-	4,162
Financing and Investment Income	2,307	(4,634)	-	(2,327)
Taxation and non-specific grant income	9,513	-	-	9,513
(Surplus) or deficit	61,969	(5,828)	(1,311)	54,830

Expenditure Funding Analysis 2016/17

	Net Expenditure Chargeable to the GF & HRA balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
Business Services	11,288	(1,928)	9,360
Chief Executive	594	(44)	550
Communications & Culture	3,968	119	4,088
Regeneration & Growth	4,112	2,905	7,016
Neighbourhoods	11,317	229	11,546
Housing Revenue Account	(1,902)	(32,219)	(34,120)
Net Cost of Services	29,378	(30,938)	(1,560)
Other income & expenditure	(11,920)	12,713	793
Financing and Investment Income	6,375	4,741	11,116
Taxation and non-specific grant income	(30,055)	0	(30,055)
(Surplus) or deficit	(6,222)	(13,484)	(19,706)
Opening General Fund and HRA balance at 31 March 2016	(38,347)		
Net (Surplus) / Deficit on General Fund and HRA balance in year	(6,222)		
Transfer between reserves	(159)		
Closing General Fund and HRA balance at 31 March 2017	(44,728)		
Analysed between General fund and HRA balances	General Fund	HRA	Total
Opening General Fund and HRA balance at 31 March 2016	(12,160)	(26,187)	(38,347)
Net (Surplus) / Deficit on General Fund and HRA balance in year	(1,976)	(4,246)	(6,222)
Transfer between reserves	(208)	49	(159)
In year movement in reserves	(2,184)	(4,197)	(6,381)
Closing General Fund and HRA balance at 31 March 2017	(14,344)	(30,384)	(44,728)

	Adjustments for capital purposes £'000	Net Changes for Pension adjustments £'000	Other Difference £'000	Total Adjustments £'000
Business Services	6	(153)	2,075	1,928
Chief Executive	-	44	-	44
Communications & Culture	(443)	324	-	(119)
Regeneration & Growth	(3,383)	478	-	(2,905)
Neighbourhoods	(656)	428	-	(229)
Housing Revenue Account	31,641	577	-	32,219
Net Cost of Services	27,164	1,699	2,075	30,938
Other income & expenditure	(12,713)	-	-	(12,713)
Financing and Investment Income	(577)	(4,164)	-	(4,741)
(Surplus) or deficit	13,874	(2,465)	2,075	13,484

Comprehensive Income and Expenditure Statement (CIES)

		2017/18			2016/17		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Business Services		71,723	(61,501)	10,222	75,975	(66,615)	9,360
Chief Executive		733	(18)	715	551	(1)	550
Communications & Culture		5,877	(1,132)	4,745	5,050	(963)	4,087
Regeneration & Growth		14,962	(11,216)	3,746	17,984	(10,967)	7,017
Neighbourhoods		18,671	(7,468)	11,203	19,176	(7,630)	11,546
Housing Revenue Account		3,899	(70,299)	(66,400)	37,455	(71,575)	(34,120)
Cost of Services		115,865	(151,634)	(35,769)	156,191	(157,751)	(1,560)
Other Operating Expenditure	11			(3,290)			794
Financing and Investment Income and Expenditure	12			8,965			11,117
Taxation and Non-Specific Grant Income	13			(28,421)			(30,055)
(Surplus) / Deficit on Provision of Services				(58,515)			(19,704)
(Surplus) / deficit on revaluation of non-current assets	14&15			(14,699)			(4,153)
Actuarial (gains) / losses on pension assets / liabilities	45			(12,762)			59,013
Other Comprehensive (Income) and Expenditure				(27,461)			54,860
Total Comprehensive (Income) and Expenditure				(85,976)			35,156

The amounts disclosed above relating to the Housing Account do not match those in the Housing Revenue Account Income and Expenditure Account as the figures above are before corporate recharges and those in the Housing Revenue Account Income and Expenditure Account are after these recharges.

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017 carried forward	14,344	3,699	30,383	3	26,554	-	4,879	79,862	512,334	592,196
<u>Movement in reserves during 2017/18</u>										
Surplus/ (deficit) on provision of services	59	-	58,456	-	-	-	-	58,515	-	58,515
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	27,461	27,461
Total Comprehensive Income & Expenditure	59	-	58,456	-	-	-	-	58,515	27,461	85,976
Adjustments between accounting basis & funding basis under regulations (note 9)	2,724	-	(57,555)	-	7,171	7,000	3,200	(37,460)	37,460	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	2,783	-	902	-	7,171	7,000	3,200	21,055	64,921	85,976
Transfers to/from Earmarked Reserves (note 10)	(3,971)	4,165	(691)	497	-	-	-	-	-	-
Transfers between reserves	-	-	(107)	-	279	-	-	172	(172)	-
Other Adjustments	-	(4)	1	-	(7)	-	-	(10)	-	(10)
Increase/(Decrease) in 2017/18	(1,188)	4,161	105	497	7,443	7,000	3,200	21,217	64,749	85,966
Balance at 31 March 2018 carried forward	13,156	7,860	30,488	500	33,997	7,000	8,079	101,080	577,083	678,163

Norwich City Council - 2017-18 Statement of Accounts

	General Fund Balance	Earmarked General Fund Balance Reserves	Housing Revenue Account	Earmarked H.R.A. Balance Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016 carried forward	12,160	3,932	26,187	3	17,313	-	3,200	62,794	564,557	627,351
<u>Movement in reserves during 2016/17</u>										
Surplus/ (deficit) on provision of services	(4,331)	-	24,036	-	-	-	-	19,705	-	19,705
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(54,860)	(54,860)
Total Comprehensive Income & Expenditure	(4,331)	-	24,036	-	-	-	-	19,705	(54,860)	(35,155)
Adjustments between accounting basis & funding basis under regulations (note 9)	6,307	-	(19,790)	-	9,083	-	1,679	(2,722)	2,722	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	1,976	-	4,245	-	9,083	-	1,679	16,983	(52,138)	(35,155)
Transfers to/from Earmarked Reserves (note 10)	208	(233)	-	-	25	-	-	-	-	-
Transfers between reserves	-	-	(49)	-	133	-	-	84	(84)	-
Increase/(Decrease) in 2016/17	2,184	(233)	4,196	-	9,241	-	1,679	17,067	(52,222)	(35,155)
Balance at 31 March 2017 carried forward	14,344	3,699	30,383	3	26,554	-	4,879	79,861	512,335	592,196

Balance Sheet

	Notes	31-Mar-18	31-Mar-17
		£'000	£'000
Property, Plant & Equipment	14	921,445	863,279
Heritage Assets	15	25,545	25,525
Investment Properties	16	56,729	41,773
Intangible Assets	17	603	553
Long term Investments	19	3,024	3,042
Long Term Debtors	20	20,913	10,325
Long Term Assets		1,028,259	944,497
Short Term Investments	21	23,000	55,715
Assets Held for Sale	24	199	424
Short term Debtors	22	13,497	8,681
Inventories		28	28
Cash and Cash Equivalents	23	28,356	18,834
Current Assets		65,080	83,682
Short Term Borrowing	18	(2,866)	(7,993)
Short Term Creditors	25	(26,052)	(33,420)
Capital Grants Receipts in Advance Short Term	39	(678)	(794)
Current Liabilities		(29,596)	(42,207)
Long Term Creditors	26	(2,842)	(3,035)
Long term Borrowing	18	(199,902)	(201,904)
Other Long Term Liabilities	44	(178,004)	(184,932)
Provisions	27	(2,561)	(2,553)
Capital Grants Receipts in Advance Long Term	39	(2,271)	(1,354)
Long Term Liabilities		(385,580)	(393,778)
Net Assets		678,163	592,194
Usable Reserves	28	101,080	79,860
Unusable Reserves	29	577,083	512,334
Total Reserves		678,163	592,194

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.
These financial statements replace the unaudited financial statements signed by the Chief Finance Officer on 31 May 2018

Signed:

Karen Watling

Chief Finance Officer

Cash Flow Statement

	Notes	2017/18	2016/17
		£'000	£'000
Net surplus or (deficit) on provision of services		58,515	19,706
Adjustments to net surplus or deficit on provision of services for non-cash movements	30	(22,719)	31,181
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	(17,300)	(14,439)
Net cash flows from Operating Activities		18,496	36,448
Investing Activities	31	(198)	(31,997)
Financing Activities	32	(8,776)	(7,168)
Net Increase or (decrease) in cash and cash equivalents		9,522	(2,717)
Cash and cash equivalents at the beginning of the reporting period	23	18,834	21,551
Cash and cash equivalents at the end of the reporting period	23	28,356	18,834

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The statement of accounts has been prepared on a going concern basis.

Accruals of Income & Expenditure

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

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

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; the de Minimis for accruals is £5,000. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Agency Services

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

Cash & Cash Equivalents

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

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

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

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

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

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

There are no changes in the accounting policies in the year.

Charges to Revenue for Non-Current Assets

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

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

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

Debtors and Creditors

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

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

Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage

and salary rates applicable in the following accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services.

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

The liabilities of the Norfolk pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

The assets of Norfolk pension fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

- Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Norfolk pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

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

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

Exceptional Items

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans & Receivables

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

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

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

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

Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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

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

Government Grants & Contributions

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

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

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

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

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

posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

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

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

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued on a five year rolling programme according to market conditions with the exception of properties with a brought forward value in excess of £500,000 as these are valued every year. Based on consultation with the valuers, any other assets which may have significant volatility in fair value are also included in the assessment. Carrying values are reviewed annually to ascertain if materially different from market values for those assets not valued in year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Group Accounts

The Code requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has gone through a process in line with the Code guidance flowcharts and concluded Group Accounts are required in 2017/18. Further detail on the Group boundary judgement is included in note 3 and the Group Financial statements.

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

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

Operating Leases

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

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 (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by

the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

Overheads & Support Services

From 2016/17 the Code of Practice on Local Authority Accounting in the United Kingdom introduced the requirement for local authorities to report their service segments based on the way in which they operate and manage services, thereby allowing the reporting on the face of the Comprehensive Income and Expenditure Statement to align with how a local authority reports its performance internally to its management.

Corporate overhead allocations are made at the year-end and shared between users in proportion to the benefits received. However, during the year the authority reports to budget holders and members the financial performance without the impact of the corporate recharges. In deference to the intentions of CIPFA's review, the 2017/18 accounts have been reported without support cost recharges, showing support and overhead costs within their respective portfolio lines.

Intangible Assets

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

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

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

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

Property, Plant & Equipment

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

year are classified as Property, Plant and Equipment. The de minimis level for accounting for expenditure as capital is £5,000.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

Componentisation

The 2017/18 CIPFA Code of Practice on Local Authority Accounting states that each part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item shall be depreciated separately, applied from 1 April 2010 onwards. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In adopting the Code, the Authority has developed the following Componentisation Policy using the approach set out in LAAP bulletin 86:

- Assets within PP&E, excluding Council dwellings with a carrying value of £1m and below, will be disregarded for componentisation as the impact upon the reported cost of service is not considered material.
- Assets, excluding Council dwellings that are above the £1m de-minimis threshold will be componentised where the cost of the component:
 - i) Is significant in relation to the overall total cost of the asset and
 - ii) Has a different useful life and/or method of depreciation to the main asset.

This policy excludes land assets which are already identified separately.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings – from 1st April 2012 depreciation is calculated based on the useful life of the individual components of the dwelling.
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation of between 25-40 years.
- Plant, furniture & equipment – straight line allocation over the useful life of asset.

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

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

Disposals & Non-Current Assets Held for Sale

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

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

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

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

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

Heritage Assets

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

Museums collections

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

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

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

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

Heritage Buildings

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

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

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

Civic Plate & Regalia

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

Paintings

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

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

Sculptures and Bronzes

The Council owns 25 sculptures and bronzes which are situated in external locations around the city. The Sculptures and Bronzes are reported in the Balance Sheet at insurance value and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement.

Statues, Architectural Ornamentation, Plaques, Fountains etc

The Council owns 60 of the above which are situated in external locations around the city. The assets are reported in the Balance Sheet at insurance value and are periodically revalued by an external valuer with any surplus being credited to the revaluation reserve. Any deficit on revaluation, after utilisation of any revaluation reserve in respect of the individual asset, is reported in the Comprehensive Income and Expenditure Statement

Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

Provisions, Contingent Assets & Liabilities

Provisions

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

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

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

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

Contingent Assets

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

Contingent Liabilities

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves

Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Collection Fund

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

Council Tax

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

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

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

National Non-Domestic Rates

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

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

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

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

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

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

VAT

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

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

The Code of Practice on Local Authority Accounting in the UK 2018-19 has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2018-19 financial statements from 1 April 2018.

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

IFRS 9 Financial Instruments

This financial instrument has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Authority's financial position is likely to be immaterial. The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Authority for its investment counterparties is likely to see an immaterial expected credit loss position.

IFRS 15 – Revenue from Contracts with Customers

This standard will not have any impact on Norwich City Council's accounts; however it may impact on the group accounts with Norwich Regeneration Ltd, depending on the type of transactions undertaken in future years and the timing of these transactions.

Other Standards

The following accounting standards have minor changes next year, but these are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect: *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* and *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*.

3. Critical Judgments in Applying Accounting Policies

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

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

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

Property, Plant and Equipment

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

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

The significant assumptions applied in estimating the fair values are:

- For income producing properties, the Valuers adopted an investment approach where they applied a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice they construct their valuations adopting hardcore methodology where the reversions are generated from regular short-term uplifts of market rent. They would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation;
- The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in "the Red Book". Where

circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report;

- Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable; and
- Owner-occupied properties are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

Investment Properties

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

Post Retirement Benefits

Pensions liability – the estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analyses are provided in note 45.

Group Boundaries

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

The group boundaries have been estimated using criteria associated with the Code of Practice and the following relationships determined:

Norwich Regeneration Limited	Subsidiary	Consolidated
NPS Norwich Ltd	Associate	Consolidated
Norwich Norse (Environmental) Limited	Associate	Consolidated
Norwich Norse (Building) Limited	Associate	Consolidated
Three Score Open Space Management Limited	Subsidiary	Not Material

Due to the material levels of transactions going through Norwich Regeneration Ltd (NRL) in 2017-18, consolidated group accounts have been prepared. As a subsidiary, the accounts of NRL have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full.

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

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

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

Items	Uncertainties	Effect if Actual Results differ from Assumptions
Business Rates	<p>Since the introduction of the Business Rates retention Scheme in April 2013, Local Authorities are liable for successful appeals against business rates charged to business in 2017/18 and earlier financial years in their proportionate share. As at the 31 March 2018 197 appeals remain outstanding relating to the 2005 and 2010 rating lists. A provision has been recognised for the best estimate of the amount that businesses have been overcharged for the period totalling £2.6m.</p> <p>Following the 2017 revaluation, a new check, challenge and appeal process has been introduced by the Valuation Office Agency; the impact of which is highly uncertain with only 6 challenges lodged to date. A provision has been made for the estimated success of future appeals from the 2017 list of £3.7m which equates to 4.89% of annual net rates payable. A 1% increase in the coverage for the 2017 list would increase the provision by £0.8m.</p>	Should the outstanding appeals be successful, the amount owed to businesses may be more than estimated, in which case the proportionate share of this would require an increase to the provision. However there may be appeals that are not successful or they may be successful but the amount owed to businesses be less than estimated, which would result in a reduction in the appeals provision.
Property, Plant and Equipment (excluding Housing Stock) £164.1m	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for assets would increase by £0.336m for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding Housing Stock) £164.1m	<p>Apart from infrastructure, community and assets under construction, the basis of value for all assets is Current Value. Current value may be either the Existing Use Value, Depreciated replacement Cost or Fair Value depending on the property type and classification.</p> <p>Of the balance £29.33m (0.02%) of assets are held at depreciated replacement cost (DRC). This method is used where there is no established property market which would enable a reliable valuation by any other method.</p>	Property values are affected by a number of factors and a 1% change in the assumed valuation of other land and buildings and surplus assets totalling £129.762m would equate to £1.297m.
Pensions Liability £177.9m	<p>Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	The sensitivities resulting in an impact on the Council's finances are disclosed in Note 45
Arrears	At 31 March 2018, the Council had a balance of sundry debtors for £3.218m. A review of significant balances suggested that an impairment of doubtful debts ranging from 10% to 100% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the amount of the impairment for doubtful debt would be required.

Housing Stock £757.3m	The housing stock is not individually componentised, for valuation purposes a beacon approach is used with the assumption that the beacon property is fully upgraded. Each property in that beacon is then reduced by percentages for each component that is not upgraded.	The percentages used to reduce the value may not reflect the true depreciated value of the individual components. The valuation of housing stock may be under or overstated Property values are affected by a number of factors - a 1% change in the assumed valuation would equate to £7.573m.
Housing Stock £757.3m	The housing stock is not individually componentised, for depreciation purposes council dwellings have their individual components identified as to date of upgrade and using the asset life as advised by the council's valuers, the depreciation associated with each properties components is calculated.	The use of standard lives to calculate components and assumption of full depreciation on components not upgraded may not be valid. The depreciation of council dwellings may be under or overstated The depreciation charge is £13.472m. It is estimated that the annual depreciation charge for assets would increase by £0.243m for every year that useful lives had to be reduced.
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed further in Note 16.	The total value of investment properties is £56.729m. Of this £35.362m (62%) is a Level 2 valuation and £21.367m (38%) Level 3 valuation. Level 3 valuations use significant unobservable inputs to determine the fair value measurements. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets A 1% change in the assumed valuation of investment property would equate to £0.567m

5. Material Items of Income and Expense

During 2017/18 the Council has advanced a loan amount to its wholly owned subsidiary Norwich Regeneration Ltd of £10.7m. This takes the total loan to £11.5m. The company is using the loan to finance its house building at the Threescore site.

The Council has made three material purchases of commercial investment properties during the 2017/18 financial year. The total acquisition costs for the three purchases totalled £13.6m.

6. Expenditure and Income by Nature

The authority's expenditure and income is analysed as follows:		
	2017/18	2016/17
Income	£000	£000
Fees, charges and other service income	(91,888)	(94,301)
Interest and investment income	(3,048)	(3,861)
Authority's share of income from Council Tax and Non-Domestic Rates	(38,033)	(39,726)
Government grants and contributions	(15,415)	(14,382)
Gain on disposal of non-current assets	(4,276)	(367)
Housing Benefit contributions and allowances	(59,419)	(62,940)
Equity Transfer	-	(2,200)
Total	(212,077)	(217,777)
Expenditure		
Employee benefits expenses	25,827	22,926
Pension Interest cost and expected return on assets	4,634	4,164
Other service expenses	59,358	58,305
Depreciation, amortisation, revaluation and impairment	(30,471)	12,135
Interest payments	8,791	9,432
Payments to Housing Capital Receipts Pool	1,114	1,471
Housing Benefit expenditure	59,281	63,384
Non-Domestic rates levy	25,027	26,253
Total	153,563	198,072
(Surplus) or deficit on the Provision of services	(58,515)	(19,706)

7. Segmental Income

Income received on a segmental basis is analysed below:		
	2017/18	2016/17
	£000	£000
Revenue from External customers	(94,390)	(96,808)
Other Income	(117,687)	(120,969)
Total Income	(212,077)	(217,777)

8. Events after the Reporting Date

The statement of accounts were authorised for issue by the Chief Finance Officer on 31 July 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 27 April 2018 Norwich City Council signed a contract to transfer the Norwich Community Alarm Service (NCAS) to Welbeing (Wealden and Eastbourne Lifeline Ltd). Norwich City Council has received £300k in relation to the transfer of the business. This will be recognised in the 2018/19 financial statements.

The Council has been in dispute with one of its contractors over some construction costs. The case was referred for adjudication and on 1 May 2018 the Adjudicator ruled in favour of the Council, finding it not to be liable for additional payments to the contractor. Whilst the decision could be referred to the High Court, the Council does not believe there is any liability for these costs. This has been included within the Contingent Liabilities note.

On 25 April 2018 the Council purchased a new investment property within Norwich for a purchase price of £9.4m (excluding Stamp Duty Land Tax).

Norwich City Council has taken a decision to discontinue its joint venture arrangements with NPS Norwich, Norwich Norse Building and Norwich Norse Environmental. Negotiations are currently being undertaken with a view to the first transfer of services by April 2019. The total annual value of the current contracts is £23m. At this stage it is not possible to estimate any further financial impacts on the Council.

9. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Norwich City Council - 2017-18 Statement of Accounts

2017/18	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(3,938)	(15,607)				(19,545)	19,545
Excess dep'n over HRA MRA							
Revaluation gains / (Losses) on Property, Plant and Equipment	5,565	43,013				48,578	(48,578)
Movement in Market Value of Investment Properties	1,755					1,755	(1,755)
Capital Grants and Contributions Applied	1,424	4				1,428	(1,428)
Movement in Donated Assets Account							
Revenue expenditure funded from capital under statute	(8,768)					(8,768)	8,768
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(734)	(10,714)				(11,448)	11,448
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>							
Statutory provision for the financing of capital investment	262	90				352	(352)
Capital expenditure charged against the General Fund and HRA balances	550	12,527				13,077	(13,077)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,926	1,159			(8,085)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account					4,885	4,885	(4,885)
Adjustments involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,100	14,772	(15,872)			-	
Use of Capital Receipts Reserve to finance new capital expenditure			7,284			7,284	(7,284)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(26)	(277)	303			-	
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,114)		1,114			-	

Norwich City Council - 2017-18 Statement of Accounts

2017/18	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-	
Transfer to the Capital receipts Reserve upon receipt of cash			(1)			(1)	1
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA		14,001		(14,001)		-	
Use of Major Repairs Reserve to finance new capital expenditure				7,001		7,001	(7,001)
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(277)					(277)	277
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,584)	(2,969)				(12,553)	12,553
Employer's pension contributions and direct payments to pensioners payable in the year	5,168	1,557				6,725	(6,725)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which Council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(1,034)					(1,034)	1,034
Total Adjustments	(2,725)	57,556	(7,172)	(7,000)	(3,200)	37,459	(37,459)

Norwich City Council - 2017-18 Statement of Accounts

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
2016/17 comparative figures	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non-current assets	(3,206)	(15,834)				(19,040)	19,040
Revaluation gains / (Losses) on Property, Plant and Equipment	(1,589)	10,426				8,837	(8,837)
Movement in Market Value of Investment Properties	(577)					(577)	577
Capital Grants and Contributions Applied	1,147	31				1,178	(1,178)
Movement in Donated Assets Account							
Revenue expenditure funded from capital under statute	(6,479)					(6,479)	6,479
Amounts of non-current assets written off on disposal or sale as part of a gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,262)	(9,584)				(10,846)	10,846
HRA Self Financing Debt						-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement</u>							
Statutory provision for the financing of capital investment	278	85				363	(363)
Capital expenditure charged against the General Fund and HRA balances	95	9,531				9,626	(9,626)
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,500	442			(5,942)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account					4,262	4,262	(4,262)
Adjustments involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,277	11,984	(13,261)			-	
Use of Capital Receipts Reserve to finance new capital expenditure			3,231			3,231	(3,231)
Contribution from the Capital receipts Reserve towards administration costs of non-current asset disposals	(39)	(237)	276			-	
Contribution from the Capital receipts Reserve to Finance the payments to the Government capital receipts pool	(1,471)		1,471			-	

2016/17 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(197)		197			-	
Transfer to the Capital receipts Reserve upon receipt of cash			(997)			(997)	997
Adjustments involving the Major Repairs Reserve							
Reversal of Major Repairs Allowance credited to the HRA		13,553		(13,553)		-	
Use of Major Repairs Reserve to finance new capital expenditure				13,553		13,553	(13,553)
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	839					839	(839)
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,600)	(2,290)				(8,890)	8,890
Employer's pension contributions and direct payments to pensioners payable in the year	4,740	1,685				6,425	(6,425)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which Council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	1,236					1,236	(1,236)
Total Adjustments	(6,308)	19,792	(9,083)	-	(1,680)	2,721	(2,721)

10. Transfers to/from Earmarked and Other Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18 and 2016/17.

The following sets out a description of the reserves;

Insurance Reserve

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

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

An evaluation of the balance on the Insurance Reserve has been undertaken and the amount set aside to cover the uninsured risks at 31 March 2018 is based on the assessed liability.

Included within this balance is an amount to cover potential liabilities following the trigger of the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement.

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

The Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. An allowance is also made for this within the reserve.

S31 Earmarked Reserve

Central government compensates local authorities for changes to business rates reliefs. This compensation is made outside of the rate retention scheme by means of a Section 31 (S31) grant directly to the general fund. The S31 Earmarked Reserve holds the unused balance of the S31 grant monies received in 2016/17 and 2017/18. These monies will be transferred to the General Fund Reserves during 2018/19 and 2019/20 to mitigate the delayed impact of the 2016/17 & 2017/18 deficits on the NNDR Collection Fund as properly accounted for under regulation. Similar transfers in and out of the reserve will take place each year whilst the S31 grant is received.

Revenue Grants Unapplied Reserves

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

Invest to Save Reserves

The Invest to Save Reserves for both the General Fund and Housing Revenue Account were set up to support the delivery of savings and efficiencies through the Fit for the Future Transformation Programme. The reserve is expected to be utilised to support the implementation of a new operating model and IT investment over the next 2-3 years.

Commercial Property Reserve

The Council has a significant and increasing investment property portfolio. The Commercial Property Reserve has been created using a proportion of the net income generated from the investment properties during the year and will be used to provide funding for any future void and rent free periods as well as any repairs/upgrades required to the property. The reserve will help to safeguard the future value of the investment properties and the rental income stream, thereby minimising the risk of holding these assets and of fluctuations in the income return. It is planned that the reserve will continue to be built up as the investment portfolio grows.

Norwich Regeneration Ltd Reserve

The Council has made a commercial loan of £11.5m to its wholly-owned subsidiary Norwich Regeneration Ltd (NRL). The company is using the loan to finance its house building at the Threescore site and the Council receives an income stream through the loan interest payments. The MTFS includes plans for significant future lending to the company.

An earmarked reserve has been set up to smooth any fluctuations in net income received by the Council from the lending to NRL. It will provide a buffer in case the income is lower than anticipated due to the company not borrowing as much or as early from the council as planned (e.g. due to delays in construction).

Elections Reserve

This is to provide future funding for council election costs which vary each year according to the differing local and national elections cycles.

	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Insurance Reserve	395	(265)	277	407	(133)	407	681
S31 Earmarked Reserve	1,467	(1,455)	1,041	1,053	(713)	1,825	2,165
Mousehold Conservators Reserve	5	-	-	5	-	3	8
General Fund Invest to Save Reserve	117	(31)	-	86	(75)	2,637	2,648
Revenue Grants Unapplied Reserve GF	1,943	(34)	233	2,142	(208)	138	2,072
Revenue Grants Unapplied Reserve HRA	4	-	-	4	(4)	-	-
Commercial Property Earmarked Reserve	-	-	-	-	-	123	123
Norwich Regeneration Ltd Earmarked Reserve	-	-	-	-	-	50	50
Elections Earmarked Reserve	-	-	-	-	-	113	113
HRA Invest to Save Reserve	-	-	-	-	-	500	500
Total	3,931	(1,785)	1,551	3,697	(1,133)	5,796	8,360

Transfers between other reserves of £279,500 (2016/17 £233,406) in the Movement in Reserves Statement comprise of Decent Home Loan & Home Improvement Loan repayments £172,314 (2016/17 £84,467) and repayment of discount £107,236 (2016/17 £48,652)

11. Other Operating Expenditure

	2017/18	2016/17
	£'000	£'000
Payments to the Government Housing Capital Receipts Pool	1,114	1,471
(Gains)/Losses on the disposal of non-current assets	(4,276)	(367)
Provision Market	(163)	(129)
Livestock Market	35	(182)
Total	(3,290)	793

The surplus of £0.128m (2016/17 surplus £0.311m) from Market trading (Provision and Livestock) is not allocated back to services but included in other operating expenditure above

12. Financing and Investment Income and Expenditure

	2017/18	2016/17
	£'000	£'000
Interest payable and similar charges	8,791	9,432
(Gains)/Losses on the disposal of investment property	(265)	-
Pension interest cost and expected return on pension assets	4,634	4,164
Interest Receivable and similar income	(545)	(1,353)
Income and expenditure in relation to investment properties and changes in their fair value	(3,683)	(1,279)
Other investment income	(12)	-
Impairment of Soft Loans	45	152
Total	8,965	11,116

13. Taxation and Non-Specific Grant Income

	2017/18	2016/17
	£'000	£'000
Council tax income	(8,964)	(8,658)
Non domestic rates income and expenditure	(29,069)	(31,068)
Non-ring fenced government grants	(5,902)	(7,263)
Capital grants and contributions	(9,513)	(7,120)
Business Rates - Tariff & Levy	25,027	26,253
Equity Transfer (Norwich Regeneration Ltd)	-	(2,200)
Total	(28,421)	(30,056)

14. Property Plant and Equipment

Movements in 2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	721,442	132,520	27,200	2,772	11,577	270	11,987	907,768
Additions	13,995	1,881	185	5	131	-	8,781	24,978
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,216	6,423	-	-	-	-	-	10,639
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(2,074)	(4,028)	-	-	-	-	-	(6,102)
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	32,069	4,710	-	-	-	-	-	36,779
Derecognition – Disposals	(9,481)	-	(28)	-	-	-	-	(9,509)
Derecognition - Other	(278)	-	-	-	-	-	-	(278)
Demolition	-	(16)	-	-	-	-	-	(16)
Assets Reclassified (to) / from Held for Sale	(710)	(74)	-	-	-	-	-	(784)
Other Movements in Cost or Valuation	3,169	(161)	-	-	-	-	(3,008)	-
At 31 March 2018	762,348	141,255	27,357	2,777	11,708	270	17,760	963,475
Accumulated Depreciation & Impairment								
At 1 April 2017	(4,831)	(15,238)	(23,247)	(1,063)	(100)	(8)	-	(44,487)
Depreciation charge	(13,473)	(2,567)	(773)	(78)	(8)	(8)	-	(16,907)
Depreciation written out to the Surplus/Deficit on Provision of Services	12,507	2,605	-	-	-	-	-	15,112
Depreciation write-back on revaluation to Revaluation Reserve	965	2,369	-	-	-	8	-	3,342
Impairment losses / (reversals) recognised in CIES	(193)	601	-	-	-	-	-	408
Impairment losses / (reversals) recognised in RR	1	473	-	-	-	-	-	474
Derecognition – Disposals	-	-	28	-	-	-	-	28
Derecognition - Other	(2)	2	-	-	-	-	-	-
At 31 March 2018	(5,026)	(11,755)	(23,992)	(1,141)	(108)	(8)	-	(42,030)
Net Book Value								
At 31 March 2018	757,322	129,500	3,365	1,636	11,600	262	17,760	921,445
At 31 March 2017	716,610	117,281	3,954	1,708	11,477	261	11,988	863,279

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Comparative Movements in 2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2016	710,559	126,232	27,063	2,816	11,447	328	19,135	897,580
Additions	18,960	1,764	197	45	130	-	6,185	27,281
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,860)	(73)	-	-	-	-	-	(1,933)
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(14,263)	(1,672)	-	-	-	-	-	(15,935)
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	11,424	2	-	-	-	-	-	11,426
Derecognition – Disposals	(7,993)	-	(241)	-	-	-	-	(8,234)
Derecognition - Other	(500)	-	-	(89)	-	-	-	(589)
Demolition	-	-	-	-	-	-	-	-
Assets Reclassified (to) / from Held for Sale	(715)	(1,115)	-	-	-	-	-	(1,830)
Other Movements in Cost or Valuation	5,829	7,381	181	-	-	(59)	(13,332)	-
At 31 March 2017	721,441	132,519	27,200	2,772	11,577	269	11,988	907,766
Accumulated Depreciation & Impairment								
At 1 April 2016	(4,800)	(11,675)	(22,745)	(989)	(91)	(8)	-	(40,308)
Depreciation charge	(13,553)	(2,762)	(714)	(79)	(9)	(8)	-	(17,125)
Depreciation written out to the Surplus/Deficit on Provision of Services	12,554	31	-	-	-	-	-	12,585
Depreciation write-back on revaluation to Revaluation Reserve	999	553	-	-	-	8	-	1,560
Impairment losses / (reversals) recognised in CIES	(71)	(1,446)	-	-	-	-	-	(1,517)
Impairment losses / (reversals) recognised in RR	40	-	-	-	-	-	-	40
Derecognition – Disposals	-	32	242	-	-	-	-	274
Derecognition - Other	-	29	(29)	4	-	-	-	4
At 31 March 2017	(4,831)	(15,238)	(23,246)	(1,064)	(100)	(8)	-	(44,487)
Net Book Value								
At 31 March 2017	716,610	117,281	3,954	1,708	11,477	261	11,988	863,279
At 31 March 2016	705,757	114,556	4,318	1,827	11,356	322	19,135	857,271

The Council operates a 5-year rolling programme of revaluations in relation to land and buildings except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. The assets are valued by our external valuers NPS.

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

HRA Dwellings

The date of valuation is 31 March 2018.

The valuers undertook a full revaluation at 31 March 2016. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

For each operational asset, that is, those held, occupied and used by the Council in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility, a Current Value Existing Use Value (EUV) has been provided, except in the case of housing stock where Existing Use Value for Social Housing is appropriate (EUV-SH). EUV-SH assumes the property is let for its existing use as social housing.

EUV-SH valuations are arrived at by means of a beacon approach. The beacons are valued on the additional assumptions that there is no potential residential redevelopment of the site or intensification of use. They are then adjusted by a regional adjustment factor, in this case for the Eastern region at 62% (2016/17 62%), to arrive at EUV-SH to reflect the fact that sitting tenants enjoy rents lower than market rents and tenants' rights including Right to Buy

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

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

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

The valuations are made on the following assumptions:

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

HRA Non-Dwellings

The date of valuation is 31 March 2018.

The valuers undertook a full revaluation at 31 March 2016. The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institution of Chartered Surveyors.

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

EUV is used only for valuing property that is owner-occupied. Fair value is used to value property held as surplus assets or properties held for sale.

In accordance with changes brought about by the HRA item 8 post- transition outcomes, Impairment and valuation losses not covered by revaluation reserve in relation to HRA non-dwellings can now be reversed in the same way as losses for dwellings. This is a change, as under transition any such losses for non-dwellings could not be reversed and therefore impacted on the HRA balance in full.

As with dwellings, valuation gains for non-dwellings, where taken to the HRA income and expenditure statement, can also be reversed under the new Determination, again by a transfer to the CAA via the movement in reserves statement. Note that this change has been applied prospectively from 1 April 2017 only.

General Fund Assets

The date of valuation is 1 April 2017.

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

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

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

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

VALUATION CYCLE '000s	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost			11,600	1,636	3,365	17,760		34,361
Valued at current value								-
2017-18	757,322	72,496					262	830,080
2016-17		8,098						8,098
2015-16		18,508						18,508
2014-15		4,078						4,078
2013-14		26,320						26,320
Total	757,322	129,500	11,600	1,636	3,365	17,760	262	921,445

Depreciation

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

- Council Dwellings – 35–50 years
- Other Land and Buildings – 30–100 years
- Vehicles – 25% of carrying amount
- Plant Furniture & Equipment 3–25 years
- Infrastructure – 25–40 years

15. Heritage Assets

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

	Civic Plate & Regalia	Paintings	Sculptures & Bronzes	Statues, Fountain etc	Buildings	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
Valuation						
1st April 2016	8,066	4,675	2,235	2,287	3,405	20,668
Additions	7	-	-	-	-	7
Disposals	-	-	(5)	(5)	-	(10)
Revaluations	5	-	4,700	155	-	4,860
31st March 2017	8,078	4,675	6,930	2,437	3,405	25,525
Valuation						
1st April 2017	8,078	4,675	6,930	2,437	3,405	25,525
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	20	-	20
31st March 2018	8,078	4,675	6,930	2,457	3,405	25,545

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

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

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

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

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

In accordance with the accounting code a full valuation every five years is not required as there is no prescribed minimum period between valuations however, the code includes a requirement that authorities review the carrying amounts of these heritage assets carried at valuation with sufficient regularity to ensure they remain current.

In 2016-17 a review of the valuations was carried out by Bonhams who advised that the only piece that would need updating at this stage would be the Barbara Hepworth which was last valued at £1.3m. The Modern British Art specialists have provided an up-to-date auction estimate of £3.0m - £5.0m and for insurance suggested £6.0m.

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

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

The Heritage buildings valuations have been reviewed by NPS who advised that no revaluations were required

In 2017/18 a review of the specialist valuation for the Gurney Clock was completed by Michlmayr Clock and Watchmakers Ltd. As a result of this the valuation is now £490k.

16. Investment Properties

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

	2017/18	2016/17
	£000	£000
		Restated
Rental income from investment property	(2,503)	(2,508)
Direct operating expenses arising from investment property	575	652
Net (gains)/losses from fair value adjustments	(1,755)	577
Total	(3,683)	(1,279)

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

	2017/18	2016/17
	£000	£000
Balance at start of the year	41,773	43,294
Additions:		
Subsequent expenditure	13,615	12
Disposals	(414)	(1,136)
Net gains / (losses) from fair value adjustments	1,755	(397)
Transfers (to) / from Property, Plant & Equipment	-	-
Balance at end of year	56,729	41,773

The revaluation gains are reversed out in the movement in Reserve Statement so as to have no impact on Council Tax requirement.

The introduction of IFRS 13 fair value measurement from 1 April 2015 resulted in a change in the classification of properties into different 'levels' which are based on the relevant fair value hierarchy.

Investment Property Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018

Recurring fair value measurements using:	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2018
	£000	£000	£000
Industrial	7,231	13,040	20,271
Offices	7,580	446	8,026
Other	6,512	4,875	11,387
Residential	1,131	2,940	4,071
Retail	12,908	66	12,974
Total	35,362	21,367	56,729

Investment Property Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2017

Recurring fair value measurements using:	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2017
	£000	£000	£000
Industrial	3,010	12,552	15,562
Offices	7,680	544	8,224
Other	4,351	3,900	8,251
Residential	898	2,940	3,838
Retail	5,832	66	5,898
Total	21,771	20,002	41,773

There were no transfers between Levels 1 and 2 during the year

Valuation techniques used to determine Level 2 and 3 Fair values for Investment Properties

Valuation techniques used to determine Level 2 fair values for Investment Properties

The fair value of Level 2 investment property has been measured using a market approach, which takes into account comparable evidence for similar transactions, for similar properties in similar locations, with yields chosen by comparison to similar transactions adjusted to allow for factors such as lease terms, strength of covenant, rent review periods and other lease clauses, voids, etc.

There are significant observable inputs, including physical inspection of location, size, accommodation, facilities, suitability etc. detailed lease terms, strength of covenant, general repair and condition together with yield evidence from comparable transactions.

Valuation techniques used to determine Level 3 fair values for Investment Properties

The fair value of level 3 investment property, valuations have been based on comparable transactions to calculate gross development costs and gross development values to arrive at a residual land value.

The following factors have been also been taken into account: location and topography, title and legal constraints, planning advice, access and ground conditions.

The authority's Investment properties categorised as Level 3 in the fair value hierarchy due to the fact that the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Techniques

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

Reconciliation of fair value measurements (using significant observable inputs) categorised within Level 2 of the fair value hierarchy

	2017/18					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 2	£000	£000	£000	£000	£000	£000
Opening balance	3,010	7,680	4,352	898	5,832	21,772
Transfer between disclosure category	-	-	-	69	(69)	-
Transfers into Level 2	-	-	-	-	-	-
Transfers out of Level 2	-	-	(62)	-	-	(62)
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	142	(36)	(123)	164	-	147
Additions	4,079	-	2,345	-	7,186	13,610
Disposals	-	(64)	-	-	(41)	(105)
Balance at end of year	7,231	7,580	6,512	1,131	12,908	35,362

	2016/17					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 2	£000	£000	£000	£000	£000	£000
Opening balance	3,298	7,565	4,223	1,290	5,996	22,372
Transfer between disclosure category	-	-	182	-	(182)	-
Transfers into Level 2	-	-	-	-	-	-
Transfers out of Level 2	(285)	-	-	-	-	(285)
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(4)	199	(53)	-	18	160
Additions	-	-	-	-	-	-
Disposals	-	(84)	-	(392)	-	(476)
Balance at end of year	3,009	7,680	4,352	898	5,832	21,771

Gains or losses arising from changes in the fair value of the investment property are recognised in surplus or deficit on the provision of services – financing and investment income and expenditure line.
The transfers out of level 2 were due to new lettings being agreed.

Reconciliation of fair value measurements (using significant unobservable inputs) categorised within Level 3 of the fair value hierarchy

	2017/18					
	Industrial	Offices	Other	Residential	Retail	Total
Investment Properties Level 3	£000	£000	£000	£000	£000	£000
Opening balance	12,553	544	3,900	2,940	66	20,003
Transfer between disclosure category	-	-	-	-	-	-
Transfers into Level 3	-	-	62	-	-	62
Transfers out of Level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	483	-	1,124	-	-	1,607
Additions	4	-	-	-	-	4
Disposals	-	(98)	(211)	-	-	(309)
Balance at end of year	13,040	446	4,875	2,940	66	21,367

	2016/17					
	Industrial	Offices	Other	Residential	Retail	Total
	£000	£000	£000	£000	£000	£000
Investment Properties Level 3						
Opening balance	11,923	1,328	7,605	-	66	20,921
Transfer between disclosure category	784	-	(3,724)	2,940	-	-
Transfers into Level 3	285	-	-	-	-	285
Transfers out of Level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in surplus or deficit on the provision of services resulting from changes in the fair value	(451)	(124)	19	-	-	(556)
Additions	12	-	-	-	-	12
Disposals	-	(660)	-	-	-	(660)
Balance at end of year	12,553	544	3,900	2,940	66	20,002

Gains or losses arising from changes in the fair value of the investment property are recognised in surplus or deficit on the provision of services – financing and investment income and expenditure line.

The transfers into level 3 followed reassessment by the valuers.

Valuation process for Investment Properties

The fair value of the council's investment property is valued in a five year rolling programme; except for the year ended 31 March 2016 the whole portfolio was valued as at 1 April 2015 following the introduction of IFRS13.

All valuations are carried out by our external valuers NPS Property Consultants Ltd.

All valuations are carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Current year valuations were carried out by:

Gillian Knox MRICS (NPS)
Deborah O'Shea MRICS (NPS)
Grant Brewer MRICS (NPS)

17. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £255,532 charged to revenue in 2017/18, £89,770 was charged in respect of the telephony system to the Customer Contact cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. Of the remaining £165,762, £140,328 related to software. £65,286 was charged to the Housing Revenue Account, £190,246 to the General Fund.

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

	2017/18	2016/17
	£000	£000
Balance at the start of the year		
• Net carrying amount	553	776
• Additions	305	27
• Disposals	(77)	-
Amortisation for the period	(255)	(250)
Disposals	77	-
Net Carrying amounts at the end of the year	603	553
Comprising:		
• Gross carrying amount	1,707	1,479
• Accumulated amortisation	(1,104)	(926)
	603	553

18. Financial Instruments

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

	Long Term		Current	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	£000	£000	£000	£000
Financial Liabilities (principal amount)	199,902	201,617	2,000	7,000
Accrued interest	-	-	866	993
Other accounting adjustments	285	287	-	-
Financial liabilities at amortised cost	200,187	201,904	2,866	7,993
Total Borrowings	200,187	201,904	2,866	7,993
Finance lease liabilities	1,003	1,099	96	90
Other long term liabilities	1,003	1,099	96	90
Financial liabilities carried at contract amount	-	-	16,092	22,096
Total creditors	201,190	203,003	19,054	30,179
Loans and receivables	-	-	50,670	73,560
Accrued interest	-	-	109	315
Total Loans and receivables (principal amount)	-	-	50,779	73,875
Unquoted equity investment at cost	824	824	-	-
Loans & receivables at amortised costs	824	824	50,779	73,875
NPT,HIL & DHL	3,099	3,146	-	-
Finance Leases	1,268	1,256	18	18
Total Investments	5,191	5,226	50,797	73,893
Financial assets carried at contract amounts	-	-	7,742	3,832
Total Debtors	5,191	5,226	58,539	77,725
Soft Loans Provided	2,955	3,128		

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

The reduction of £22.9m in short term loans and receivables is due to the temporary use of cash to fund capital expenditure. This will be replaced when borrowing is taken at some point in the future.

The Council has made a number of loans to residents in respect of decent home loans and home improvement loans at less than market rates (soft loans). There are a number of small loans making up the balance owing of £2.956m. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed decent home loans information is as follows:

Decent Home Loans	31-Mar-18	31-Mar-17
	£000	£000
Opening Balance	2,768	2,448
Fair value adjustment	(356)	400
Loans repaid	(172)	(80)
Balance carried forward	2,240	2,768
Nominal value carried forward	2,710	2,882

The home improvement loans carrying value after fair value adjustments (minus £43k) total £203k.

Valuation Assumptions

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

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

	2017/18			
	Financial Liabilities	Financial Assets	Assets &	
	measured at	Loans and	Liabilities at Fair	
	amortised cost	receivables	Value through	
	£000	£000	Profit & Loss	Total
			£000	£000
Interest expense	8,791	-	-	8,791
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	8,791	-	-	8,791
Interest Income	-	(545)	-	(545)
Increases in fair value	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(545)	-	(545)
Net (gain)/loss for the year	8,791	(545)	-	8,246
	2016/17			
	Financial Liabilities	Financial Assets	Assets &	
	measured at	Loans and	Liabilities at Fair	
	amortised cost	receivables	Value through	
	£000	£000	Profit & Loss	Total
			£000	£000
Interest expense	9,432	-	-	9,432
Reductions in fair value	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	9,432	-	-	9,432
Interest Income	-	(1,353)	-	(1,353)
Increases in fair value	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,353)	-	(1,353)
Net (gain)/loss for the year	9,432	(1,353)	-	8,079

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

Fair Values of Assets and Liabilities

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

- For loans from the PWLB, equivalent borrowing rates available from the PWLB at 31 March 2018 have been applied to provide the fair value under the PWLB debt redemption procedures,
- For non PWLB loans and loans receivable prevailing benchmark market rates have been used to provide the fair value

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

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

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

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

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

The fair values of liabilities calculated are as follows:

	31-Mar-18		31-Mar-17	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
			Restated	Restated
Financial Liabilities	218,955	252,374	232,083	293,496
Long Term Creditors	1,003	1,003	1,099	1,099
Total Liabilities	219,958	253,377	233,182	294,595

The fair value 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.

	Debt at 31-Mar-17	Repayments	Reclassifications	Fair Value discount unwind £000	Debt at 31-Mar-18
	£000	£000	£000	£000	£000
PWLB	196,107	-	(2,000)	-	194,107
UK Banks	5,287	-	-	(2)	5,285
Other Financial Intermediaries	462	-	22	-	484
Local Government	1	-	-	-	1
Household Sector	47	-	(22)	-	25
European Investment Bank	-	-	-	-	-
Total	201,904	-	(2,000)	(2)	199,902

The fair values of assets calculated are as follows:

	31-Mar-18		31-Mar-17	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & Receivables	31,566	31,566	60,056	60,471
Long Term Debtors	4,386	3,873	4,491	4,256
Total Assets	35,952	35,439	64,547	64,727

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

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

Nature & Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 February 2017 and then a revised strategy was approved by Council on 23 January 2018. Both versions are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £291.6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £271.6m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown within this note.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and

the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

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

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

The full Treasury Management Strategy for 2017/18 was approved by Full Council on 21 February 2017 and is available on the Council's website.

https://www.norwich.gov.uk/info/20189/finance_and_transparency/1601/treasury_management_strategy

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

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

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

	Amount	Historical experience of default	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	£000	£000
	31 March 2018	31 March 2018	31 March 2018	31 March 2017
Customers	3,218	12%	386	765

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

The Council does not generally allow credit for its customers, such that £3.218m of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2018	31 March 2017
	£000	£000
Less than three months	1,430	920
Three to six months	508	225
Six months to one year	199	201
More than one year	1,081	728
Total	3,218	2,074

The current provision of £1.192m for sundry debt covers 37% of the balance.

The Council initiates a legal charge on property where clients cannot afford to pay immediately. The total debt where there are legal charges at 31 March 2018 was £42,879 (31 March 2017 £43,868).

Liquidity risk

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

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

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

	2017/18	2016/17
	£000	£000
Repayable between:		
Less than one year	50,670	73,560
Between 1 & 2 years	-	-
	50,670	73,560

Refinancing & Maturity Risk

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

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

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

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

	Approved	Approved	Actual	Actual
	Minimum	Maximum	31 March 2018	31 March 2017
	Limit	Limit	£000	£000
Less than 1 year	0%	10%	2,866	7,993
Between 1 & 2 years	0%	10%	-	2,000
Between 2 & 5 years	0%	30%	53,459	2,500
Between 5 & 10 years	0%	50%	69,700	118,159
More than 10 years	0%	95%	75,948	78,448
			201,973	209,100
Perpetually irredeemable Loan	0%	10%	510	573
Stock				
			202,483	209,673

Market risk

Interest rate risk

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

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

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

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

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

	£000s
Increase in interest payable on variable rate borrowings (all Norwich City Council borrowing is at fixed rate)	-
Increase in interest receivable on variable rate investments	800
Impact on Surplus or Deficit on Provision of Services	800
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(16,927)

The impact of a 1% fall in interest rates on interest receivable would be £ (493)k – where the fall of 1% would take the interest lower than zero, this interest received has been taken as zero. The impact of a 1% fall in interest rates on the fair value of fixed rate borrowing liabilities would be as above, but with the movement being reversed.

Indemnity

In February 2014 the Council advanced £1m to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS is aimed at first time buyers within the district and the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period, at which point the advance will be returned to the Council plus an amount of interest. As at 31 March 2018, the total commitment against the £1m indemnity is £0.938m. There have been no defaults requiring a call on this indemnity to date.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However it does have shareholdings to the value of £0.8m in Norwich Airport. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

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

Foreign exchange risk

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

19. Long Term Investments

		2017/18	2016/17
		£000	£000
Banks		-	-
Norwich Regeneration Ltd		2,200	2,200
Norwich Airport Ltd		824	824
Norwich Preservation Trust		-	18
		3,024	3,042

Equity Shareholding in Subsidiary

In October 2016 the council disposed of land at Bowthorpe to its wholly owned subsidiary Norwich Regeneration Limited in exchange for 22,000 £100 shares in the company.

Norwich Airport Ltd

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

A second jointly owned Local Authority Company - Legislator 1657, a wholly owned subsidiary of Legislator 1656 - holds some land associated with the airport which was excluded from the sale to Omniport. The City Council holds 40% of Legislator 1656, with Norfolk County Council holding the other 60%, effectively giving the City Council a further holding of 2% in NAL. The sale valued Norwich Airport Ltd at £13.7m and the investment value shown in the Balance Sheet represents the Council's 6% direct holding in the company.

The shares of Norwich Airport Ltd are carried in the accounts at cost. Consideration has been given to measuring the fair value of Norwich Airport Ltd from Norwich City Council's percentage shareholding from the Airports balance sheet. These calculations give a fair value higher than that of the carrying value at cost but were subjective and could not reliably measure fair value. An impairment review was undertaken in accordance with the Code which states that 'where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).' Norwich City Council have assessed that there has been no impairment of the asset.

Norwich City Council has an interest in Legislator Companies 1656 and 1657 which has been assessed as immaterial for the purpose of Group Accounts.

20. Long Term Debtors

	2017/18			2016/17
	Debtors	Provision for Bad Debt	Net Debtors	Net Debtors
	£000	£000	£000	£000
Advances for House Purchase: Council Houses Sold	3	-	3	3
Norfolk County Council Transferred Debt	865	-	865	919
Deferred Capital Receipt Sale of Airport Shares	400	-	400	400
Deferred Capital Receipt – Livestock Market	-	-	-	-
Decent Home Loans	2,240	-	2,240	2,768
Finance Lease > 1 year	1,267	-	1,267	1,255
Home Improvement Loans	203	-	203	195
Local Authority Mortgage Scheme	1,000	-	1,000	1,000
Housing Benefit Overpayments	7,254	(4,918)	2,336	2,136
Shared Equity Dwellings	282	-	282	297
SALIX	334	-	334	241
Debts with legal charge over property	43	-	43	44
Wholly owned subsidiary	11,500	-	11,500	794
Other Long Term Debtors	440	-	440	273
Total	25,831	(4,918)	20,913	10,325

Long Term Debtors include:

- Transferred Debt - This debt represents the value of assets transferred to other Public Bodies. The value of these assets was determined by the amount of related outstanding loan at the time of transfer.
- Deferred Capital Receipts Sales of Airport Shares - 80.1% of the shares held in Norwich Airport Ltd. by Norfolk County Council and Norwich City Council were sold in March 2004 to Omniport Ltd. £1m of the total sale price is payable after 15 years or, should Omniport sell its interest before then, at the time of the sale. The City Council's share of this deferred capital receipt is £400,000.
- In February 2014 the Council advanced £1m to Lloyds Banking group as part of the Local Authority Mortgage Scheme. The Scheme is aimed at first time buyers; the advance reflects the Council's share of financial assistance through the provision of an indemnity. This indemnity will be in place for a fixed five year period; at the end of this term, the advance will be returned to the Council. No calls have been made on the indemnity during the year.
- Wholly Owned Subsidiary Loan – the Council has advanced a loan to its wholly owned subsidiary Norwich Regeneration Ltd of £11.5m. The company is using the loan to finance its house building at the Threescore site.

21. Short Term Investments

The amounts invested at 31 March were as follows:

		2017/18	2016/17
		£000	£000
Banks		8,000	28,217
Building Societies		12,000	27,496
Local Authority		3,000	2
Total Short Term Investments		23,000	55,715

22. Short Term Debtors

		2017/18	2016/17
		£000	£000
Central Government Bodies		3,689	1,194
Other entities & individuals		7,134	4,952
Other Local Authorities		2,674	2,535
Total Short Term Debtors		13,497	8,681

23. Cash & Cash Equivalents

Cash equivalent short term deposits are those for a period of 3 months or less at inception and represent the lending of surplus monies to other local authorities and major financial institutions

		2017/18	2016/17
		£000	£000
Cash held by Council		11	16
Bank current accounts		3,855	1,398
Short term deposits with banks		3,590	9,920
Short term deposits with building societies		1,650	-
Short term deposits with local authorities		4,250	7,500
Money Markets		15,000	-
Total Cash & Cash Equivalents		28,356	18,834

24. Assets Held for Sale

		Current	
		2017/18	2016/17
		£000	£000
Balance outstanding at start of year		424	2,536
Assets newly classified as held for sale:			
Property, Plant & Equipment		784	1,830
Assets declassified as held for sale:			
Property, Plant & Equipment		-	-
Asset disposals		(1,231)	(3,294)
Other movements		222	(648)
Balance outstanding at year-end		199	424

25. Short Term Creditors

	2017/18	2016/17
	£000	£000
Central Government Bodies	2,153	5,134
Other Local Authorities	10,242	12,520
National Health Bodies	27	5
Trade Creditors	7,722	8,750
Receipts in Advance	2,737	2,618
Other entities & individuals	3,171	4,393
Total Short Term Creditors	26,052	33,420

26. Long Term Creditors

	2017/18	2016/17
	£000	£000
Developer Contributions	1,618	1,704
Lease Liability	1,002	1,098
Rent Prepayments	150	200
SALIX	70	32
Total Long Term Creditors	2,840	3,034

27. Provisions

	2017/18	2016/17
	£000	£000
Balance at 1 April	2,553	1,572
Movement in provisions	8	980
Balance at 31 March	2,561	2,553

The provision includes £2.521m in respect of Non-Domestic Rates appeals following the introduction of Business Rates Retention on 1 April 2013.

Within the 2016/17 balance there was a provision of £0.391m based on probable redundancy costs for a number of officers as part of the restructure of several service areas. These departures occurred in 2017/18 and the provision reduced accordingly.

28. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

29. Unusable Reserves

	2017/18	2016/17
	£000	£000
Revaluation Reserve	73,434	60,296
Capital Adjustment Account	681,293	635,305
Financial Instruments Adjustments Account	(919)	(642)
Deferred Capital Receipts	1,434	1,434
Pensions Reserve	(177,895)	(184,829)
Collection Fund Adjustment Account	(264)	771
Total Unusable Reserves	577,083	512,335

Revaluation Reserve

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

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

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

	2017/18		2016/17
	£000	£000	£000
Balance at 1 April		60,296	58,234
Upward revaluation of assets	16,635		7,450
Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,936)		(3,297)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		14,699	4,153
Difference between fair value depreciation & historical cost depreciation	(703)		(597)
Other amount written off to Capital Adjustment Account	-		-
Accumulated gains on assets sold or scrapped	(857)		(1,494)
Amount written off to the Capital Adjustment Account		(1,560)	(2,091)
Other movements		-	-
Balance at 31 March		73,435	60,296

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

Note 9 provides detail of the source of all the transactions posted to the Account, apart from those involving the Revaluation reserve.

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<u>Capital Adjustment Account</u>	2017/18		2016/17
	£000	£000	£000
Balance at 1 April		635,305	629,189
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation & impairment of non current assets	(19,545)		(19,040)
Revaluation gains / (losses) on Property, Plant & Equipment	48,578		8,837
Revenue expenditure funded from capital under statute	(8,768)		(6,479)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(11,447)		(10,846)
Difference between historic cost & carrying value depreciation	703		597
Net written out amount of the cost of non-current assets consumed in the year		9,521	(26,931)
Adjusting amounts written out of the Revaluation Reserve		857	1,494
Net written out amount of the cost of non-current assets consumed in the year		10,378	(25,437)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital Expenditure	7,284		3,231
Use of the Major Repairs Reserve to finance new capital expenditure	7,001		13,553
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,428		1,178
Application of grants to capital financing from the Capital Grants Unapplied Account	4,885		4,262
Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	352		363
Capital expenditure charged against the General Fund & HRA balances	13,077		9,626
		34,027	32,213
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		1,755	(577)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-	-
HRA Self Financing Debt		-	-
Other		(172)	(84)
Balance at 31 March		681,293	635,304

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2018 will be charged to the General Fund over the next 15 years.

	2017/18	2016/17
	£000	£000
<u>Financial Instruments Adjustment Account</u>		
Balance at 1 April	642	1,108
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	289	(454)
	931	654
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(12)	(12)
Balance at 31 March	919	642

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2017/18	2016/17
	£000	£000
<u>Deferred Capital Receipts Reserve</u>		
Balance at 1 April	1,434	2,059
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	373
Transfer to the Capital Receipts Reserve upon receipt of cash	(1)	(997)
Balance at 31 March	1,433	1,435

Pensions Reserve

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

	2017/18	2016/17
	£000	£000
<u>Pensions Reserve</u>		
Balance at 1 April	(184,829)	(123,351)
Actuarial gains or (losses) on pensions assets & liabilities	12,762	(59,013)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(12,553)	(8,890)
Employer's pensions contributions & direct payments to pensioners payable in the year	6,074	5,645
Non-Council Employer's pensions contributions payable in the year in respect of TUPE'd employees still in pension fund	651	780
Balance at 31 March	(177,895)	(184,829)

Collection Fund Adjustment Account

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

	2017/18	2016/17
	£000	£000
<u>Collection Fund Adjustment Account</u>		
Balance at 1 April	771	(465)
Amount by which Council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(65)	163
Amount by which NNDR income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(969)	1,073
Balance at 31 March	(263)	771

30. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements. The cash flows for operating activities include the following items:

	2017/18	2016/17
	£000	£000
Interest received	(1,163)	(1,113)
Interest paid	8,919	9,651
	7,756	8,538

	2017/18	2016/17
	£000	£000
Depreciation	16,906	17,126
Amortisation	256	250
Impairment and revaluations	(40,857)	(3,778)
Reductions in the fair value of soft loans (non Subsidiary) made in the year	45	(12)
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	290	(557)
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	661	1,003
Increase/(Decrease) in Interest Creditors	(128)	(256)
Increase/(Decrease) in Creditors	(4,973)	1,374
(Increase)/Decrease in Interest Debtors	315	-
(Increase)/Decrease in Debtors	(5,187)	1,678
(Increase)/Decrease in Inventories	-	(5)
(Decrease)/Increase in Pension Liability	-	-
Contributions to Provisions	288	981
Carrying amount of non-current assets sold	11,420	12,979
Movement in Investment Property values	(1,755)	397
	(22,719)	31,180

The adjustment for items in the net surplus or deficit on the provision of services that are investing and financing activities is comprised of:

	2017/18	2016/17
	£000	£000
Capital grants credited to surplus or deficit on the provision of services	(1,428)	(1,178)
Proceeds from the sale of property, plant and equipment and investment properties	(15,872)	(13,261)
	(17,300)	(14,439)

31. Cash Flow Statement – Investing Activities

	2017/18	2016/17
	£000	£000
Purchase of property, plant & equipment, investment property & intangible assets	(39,700)	(27,011)
Other Capital Payments	(16)	-
Purchase of short term & long-term investments	(46,400)	(86,600)
Other payments for investing activities	(11,288)	(1,371)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	15,871	13,261
Other Capital Cash Receipts	279	914
Capital grants received	2,238	1,810
Proceeds from short term & long-term investments	78,818	67,000
Net cash flows from investing activities	(198)	(31,997)

32. Cash Flow Statement – Financing Activities

	2017/18	2016/17
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(90)	(85)
Repayments of short- & long-term borrowing	(7,000)	(10,750)
Other receipts /(payments) for financing activities	(1,686)	3,667
Net cash flows from financing activities	(8,776)	(7,168)

33. Trading Operations

The Authority has established various trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. The financial results for which are disclosed below:

	2017/18			2016/17
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Car Parks	(3,362)	(5,956)	(9,318)	(1,237)
Industrial Estates	360	(600)	(240)	849
Corporate Estates	(156)	(2,302)	(2,458)	(2,025)
Civic Halls	538	(310)	228	258
Markets	625	(735)	(110)	(289)
Yacht Station	-	-	-	-
Net (Surplus) / Deficit	(1,995)	(9,903)	(11,898)	(2,444)

Other than for Markets, the income and expenditure of the remaining Trading Operations for 2017/18 and 2016/17 have been consolidated within the Net Cost of Services. Income and expenditure of the Markets are within Other Operating Expenditure.

The increase of surplus on car parks is due to the property revaluations in 2017/18. The revaluation impact is reversed out in the Movement in Reserves Statement and has no impact on the General Fund Balance and Council Tax requirement.

34. Associates

Norwich City Council has three associate companies; NPS Norwich Limited, Norwich Norse Environmental Limited and Norwich Norse Building Limited– see disclosure of services produced in note 47. In line with the service level agreements, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges. An estimate of the pre-tax discounts has been accrued in the accounts. There is no other entitlement to the Council in terms of dividends or rights to retained earnings. The draft unaudited performance of the associates is shown below.

		NPS (Norwich) Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
		2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
		£000	£000	£000	£000	£000	£000
Profit & Loss Account							Restated*
Operating Profit		184	263	136	126	119	145
Interest (Payable) /Receivable		(7)	(10)	(30)	(17)	-	-
Profit on Ordinary Activities before Corporation Tax		177	253	106	109	119	145
Corporation Tax		(35)	(51)	(24)	(25)	(17)	(33)
Retained Profit for the financial year		142	202	82	84	102	112
Balance Sheet							
Profit & Loss b/f		671	469	328	244	199	87
Profit & Loss for the financial year		142	202	82	84	102	112
Profit & Loss reserve c/f		813	671	410	328	301	199

*2016/17 figures restated in line with the final audited accounts for Norwich Norse Building Ltd

35. Agency Services

The City Council is a member of four Joint Committees – Norfolk Joint Museums and Archaeology Committee, Norfolk Joint Records Committee, Norfolk Highways Joint Committee and CNC Building Control Consultancy Joint Committee (Building Control Partnership).

The Norwich Highways Joint Committee oversees the operation of the Highways Agency Agreement providing the services for highways, traffic management and on-street car parking. The Council acts as agent for the County in relation to the work governed by the Joint Committee. The amounts of income and expenditure for 2017/18 and 2016/17 are as follows:-

Highways	2017/18	2016/17
	£000	£000
Expenditure	2,595	2,542
Income	(2,392)	(2,569)
(Surplus) / Deficit	203	(27)
On-Street Car parking	2017/18	2016/17
	£000	£000
Expenditure	1,272	1,039
Income	(1,315)	(1,252)
(Surplus) paid over to Norfolk County Council	(43)	(213)

The non-agency elements of the Norwich Highways Joint Committee are not material.

The Council's interest in the Norfolk Joint Museums and Archaeology Committee and the Norfolk Joint Records Committee are not material.

On 1st November 2012 the Norwich Business Improvement District was launched. A Business Improvement District (BID) is a defined area within which businesses pay an additional tax or fee in order to fund projects within the district's boundaries.

On 1st November 2017 a new five year BID agreement was launched, covering an expanded geographic area.

The council acts as agent for Norwich BID by billing and collecting the additional tax.

Business Improvement District	2017/18	2016/17
	£000	£000
Billed	950	624
Collected	(915)	(490)
Paid over to Norwich BID	1,060	436

36. Members' Allowances

The total of members' allowances paid in the year was £359,985 (2016/17 £357,081) in accordance with the Members' Allowance Scheme as set out in Appendix 16 of the Council's Constitution.

37. Officers Remuneration

Post Holder	Salary (incl Fees & allowances)	Expenses	Compensation for loss of office	Total Remuneration (excl Pension contributions)	Pension Contributions	Total Remuneration (incl Pension contributions)
	£	£	£	£	£	£
Chief Executive Officer 2017/18 ¹	120,895	-	-	120,895	16,691	137,586
Chief Executive Officer 2016/17 ^{1 2}	119,020	-	-	119,020	17,217	136,237
Director of Regeneration & Development 2017/18	82,050	-	-	82,050	11,819	93,869
Director of Regeneration & Development 2016/17	81,225	-	-	81,225	11,702	92,927
Director of Customer & Culture 2017/18	89,655	-	-	89,655	13,000	102,655
Director of Customer & Culture 2016/17	84,739	-	-	84,739	12,287	97,026
Director of Neighbourhoods 2017/18	78,377	-	-	78,377	11,327	89,704
Director of Neighbourhoods 2016/17	73,575	-	-	73,575	10,605	84,180
						-
Director of Business Services 2017/18 ¹	83,306	-	-	83,306	11,819	95,125
Director of Business Services 2016/17 ¹	82,140	-	-	82,140	11,702	93,842
S151 officer 17/18 ³	71,801	-	-	71,801	-	71,801
S151 officer 17/18 ⁴	4,980	-	-	4,980	1,080	6,060
S151 officer 16/17 ⁵	57,416	-	-	57,416	12,454	69,870
TOTAL 2017/18	531,064	-	-	531,064	65,736	596,800
TOTAL 2016/17	498,115	-	-	498,115	75,967	574,082

¹ Remuneration includes payments made in respect of election duties for the Chief executive and Director of Business services.

² Chief Executive Officer reduced to 4 days in 2016/17

³ S151 officer started May 2017, and is employed by LGSS shared services

⁴ S151 officer finished April 2017, and was employed by LGSS shared services

⁵ S151 officer was employed by LGSS shared services

Senior officer's remuneration disclosed on the tables above is included in the bandings in the table below.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2017/18	2016/17
£50,000 to £54,999	6	1
£55,000 to £59,999	3	1
£60,000 to £64,999	-	-
£65,000 to £69,999	6	5
£70,000 to £74,999	-	1
£75,000 to £79,999	1	2
£80,000 to £84,999	2	3
£85,000 to £89,999	1	-
£90,000 to £94,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	-	2
£105,000 to £109,999	-	1
£110,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999	1	-
	20	17

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

2017/18					
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	
£0 - £20,000	6	13	19	198,101	
£20,001 - £40,000	7	7	14	372,565	
£40,001 - £60,000	1	2	3	149,776	
£60,001 - £80,000	0	2	2	140,877	
£80,001 - £100,000	0	1	1	86,132	
Total	14	25	39	947,451	

The table above represents redundancies during 2017/18. The 2017/18 accounts include an estimate of £56,757 based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2017/18. As there are redeployment opportunities some of these officers may not be made redundant whilst others will leave during 2018/19, any variance between the accrual in 2017/18 and the final exit package costs will be disclosed as part of the 2018/19 accounts.

2016/17					
Exit package cost band (including special payments)		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000		-	1	1	16,091
£20,001 - £40,000		-	2	2	45,901
£40,001 - £60,000		-	1	1	42,853
£60,001 - £80,000		-	0	0	
£80,001 - £100,000		-	1	1	93,650
£100,001 - £150,000		-	2	2	208,977
Total		0	7	7	407,472

The table above represents redundancies during 2016/17. The 2016/17 accounts included an estimate of £979,371 based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2016/17. The actual costs of these redundancies were £883,720. Officers affected were issued with redundancy notices prior to 31 March 2017. As there were redeployment opportunities some of these officers were not made redundant whilst others left during 2017/18, any variance between the accrual in 2016/17 and the final exit package costs are disclosed as part of the 2017/18 accounts.

38. External Audit Costs

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

In 2017/18 and 2016/17 the following fees were payable by the Council to our external auditors.

	2017/18	2016/17
	£000	£000
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	84	80
Fees payable to external auditors for the certification of grant claims and returns for the year	36	30
Fees payable in respect of any other services provided by external auditors during the year	6	2
Total	126	112

The fees for 'other services' payable in 2017/18 relate to the Right to Buy retained receipts audit and for the auditor's consideration of the council's Minimum Reserve Provision calculation. The fees for 'other services' payable in 2016/17 relate to the Right to Buy retained receipts audit.

39. Grants Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18	2016/17
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	(1,671)	(2,756)
Local Strategic Partnership - Second Homes	(45)	(102)
New Homes Bonus	(1,667)	(2,768)
NNDR Administration Grant	(271)	(271)
Small Business Rate Relief Grant	(1,902)	(887)
Other Grants (Non Capital)	(346)	(479)
Sub-Total inc NNDR	(5,902)	(7,263)
Capital Grants & Contributions		
DfT Cycle Ambition Grant	(3,399)	(4,166)
DfT Cycle Safety Grant	(1,725)	-
Home and Communities Agency	-	(48)
Community Infrastructure Levy (Funding from developers)	(1,530)	(678)
Community Infrastructure Levy (Funding from GNGB Strategic Pool)	(43)	(118)
Disabled Facilities Grant	(1,101)	(820)
Capital Grant Income (Government bodies)	(69)	7
Capital Grants & contribution income (non Government)	(1,559)	(1,243)
Sub Total	(9,426)	(7,066)
Capital Grants & Contributions(REFCUS expenditure)		
DECC Green Deal Community Fund	-	(15)
Capital Grants & contribution income (from Government Bodies)	(87)	(39)
Sub Total	(87)	(54)
Total	(15,415)	(14,383)
Credited to Services		
Rent Allowance Subsidy	(26,404)	(27,300)
Rent Rebate Subsidy	(30,236)	(32,755)
Discretionary Housing Payments	(499)	(406)
Housing Benefit Administration Grant	(769)	(835)
PFI Grant	-	(1,429)
Supporting People	(253)	(484)
Other Revenue Grants & Contributions (from Government)	(837)	(583)
Other Non Govt revenue grants and contributions	(52)	(45)
Sub Total	(59,050)	(63,837)

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

CURRENT LIABILITIES		2017/18	2016/17
		£000	£000
Grants Receipts in Advance (Capital Grants)			
Home and Communities Agency Capital Grant		(12)	(11)
DECC Green Deal Community Fund		(6)	(6)
Developers Contributions (S.106)		(660)	(777)
Total		(678)	(794)
Grants Receipts in Advance (Revenue Grants)			
Other Government Grants & Contributions		(412)	(490)
Other Non Government Grants & Contributions		(711)	(316)
LEGI Re Guildhall		(50)	(50)
SALIX		-	(44)
Developers Contributions (S.106)		(296)	(254)
Total		(1,469)	(1,154)
LONG TERM LIABILITIES			
		£000	£000
Grants Receipts in Advance (Capital Grants)			
Disabled Facilities Grant		(17)	(62)
Land Release Fund Grant		(980)	-
Other Government Grants & Contributions		(28)	(28)
Developers Contributions (S.106)		(1,150)	(1,175)
Other Non-Government Grants & Contributions		(95)	(89)
Total		(2,270)	(1,354)
Grants Receipts in Advance (Revenue Grants)			
Local Enterprise Growth Initiative re Guildhall		(150)	(200)
SALIX		(70)	(32)
Developers Contributions (S.106)		(1,618)	(1,704)
Total		(1,838)	(1,936)

The council continues to collect a Community Infrastructure Levy in accordance with a charging schedule adopted on the 25th June 2013.

The contributions collected from developments liable to pay the levy are designated to fund both the infrastructure required to support the planned growth in housing and jobs across the Greater Norwich area and improvements to address the demands that development places on local neighbourhoods within the city.

Section 106 agreements and planning conditions will also continue to be used for local infrastructure requirements on development sites, such as site specific local provision of open space, access roads and affordable housing.

40. Capital Expenditure & Capital Financing

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

	Notes	2017/18 £000	2016/17 £000
			Restated
Opening Capital Financing Requirement 1st April		240,390	238,988
Correction of prior years error		-	-
Adjusted Opening Capital Financing Requirement		240,390	238,988
Property, Plant & Equipment	14	16,199	21,096
Assets under Construction	14	8,781	6,185
Investment Property	16	13,615	12
Heritage Assets	15	-	7
Intangible Assets	17	305	27
Decent Home Loans granted net of repaid		(172)	(71)
Transferred debt net of repaid		(56)	(58)
Norwich Regeneration Ltd loan net of repaid		10,706	794
Norwich Preservation Trust loan net of repaid		126	-
Revenue Expenditure Funded from Capital Under Statute		8,768	6,479
		298,662	273,459
Sources of Finance			
Capital Receipts		(7,284)	(3,231)
Government Grants & Other Contributions		(6,313)	(5,441)
Housing Revenue Account Major Repairs Allowance		(7,001)	(13,553)
Revenue Contributions & Minimum Revenue Provision *		(13,429)	(9,989)
		264,635	241,245
HRA non-dwelling depreciation, revaluation & impairments		-	(855)
Closing Capital Financing Requirement 31 March		264,635	240,390
Increase (decrease) in underlying need to borrow (unsupported by government financial assistance)		24,245	1,402

2016/17 Restated to correctly include the Norwich Regeneration Ltd loan and a capital scheme funded by borrowing in the 16/17 figures.

Each local Council has a borrowing limit determined by the level of debt which it can afford. The system is governed by CIPFA's 'Prudential Code for Capital Finance in Local Authorities' and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. On 17 January 2018 Cabinet agreed to update the revised Minimum Revenue Provision (MRP) policy which had been approved by Cabinet on 3 February 2016. The revised policy changed the basis of the calculation of the MRP from the 4% reducing balance Regulatory Method to an annuity based charge on the basis that it was a more prudent and fair basis for the charge. The update to this MRP policy was to back-date the application of the annuity basis provision from its inception, i.e. apply the annuity basis method of calculation from 2007/08 onwards rather than just from 2015/16 onwards. This has been done and the updated charges will be applied from 2017/08 onwards.

* The Minimum Revenue Provision 2017/18 is £0.261m (2016/17 £0.278m) and this represents a provision against the Council's underlying debt that has been acquired to finance capital expenditure.

41. Leases

Council as Lessee

Operating Leases

The Council leases cars and equipment to facilitate provision of services. It also leases privately owned properties to provide a decent, affordable housing alternative to those facing homelessness.

The Council's future minimum lease payments due under non-cancellable lease in future years are:

	31-Mar-18		31-Mar-17	
	Vehicles, Plant & Equipment	Land & Buildings	Vehicles, Plant & Equipment	Land & Buildings
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	128	1,396	108	1,305
Later than one year & not later than five years *	412	1,888	356	1,825
Total	540	3284	464	3,130

* based on Pool Car contract extension to March 2021

The expenditure charged to the Housing Revenue Account, Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.874m (2016/17 £2.117m)

	2017/18	2016/17
	£000	£000
Sublease payments receivable	1,888	2,026
Total	1,888	2,026

Finance Leases

The council has acquired communal aeries for its dwellings under a finance lease, these assets are disclosed as Property, Plant and Equipment in the Balance Sheet under Vehicles, Plant and Equipment at the net amount of £0.835m (2016/17 £0.927m)

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

	2017/18	2016/17
	£000	£000
Finance Lease Liabilities		
Current	96	90
Non-Current	1,003	1,099
Financing Costs payable in future years	354	425
Minimum Lease Payments	1,453	1,614

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

	2017/18	2016/17
	£000	£000
Future Rental Liabilities		
No later than one year	161	161
Later than one year & not later than 5 years	646	646
Over 5 years	646	807
Total	1,453	1,614

Council as Lessor

Operating Leases

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

- The provision of community services such as sports facilities, tourism services and community centres
- economic development purposes to provide suitable affordable accommodation for local businesses

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

	2017/18	2016/17
	£000	£000
Tenants Future Rental Liabilities		
Not later than one year	3,539	3,108
Later than one year & not later than five years	13,919	11,179
Over five years	61,477	60,085
Total	78,935	74,372

In addition to the above, there are 90 properties (97 in 2016/17) where the rent is in perpetuity that amounts annually to £0.314m per annum (2016/17 £0.269m).

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases

The Council leases out 21 properties on a finance lease.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent. The gross investment is made up of the following amounts

	2017/18	2016/17
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	18	18
Non-current	1,268	1,256
Unearned finance income	2,068	2,104
Unguaranteed residual value of property	-	-
Gross investment in the leases	3,354	3,378

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	£000	£000	£000	£000
Future Rental Liabilities				
Not later than one year	24	24	24	24
Later than one year & not later than five years	95	95	95	95
Later than five years	3,236	3,259	3,236	3,259
Total	3,355	3,378	3,355	3,378

42. Impairment Losses

During the year the Council carried out adaptations at a cost of £522,587 (2016/17 £745,144) to a number of council dwellings under Disabled Facilities legislation. No individual adaptation was significant in value. As advised by our valuer, these adaptations added no value to the dwellings; therefore this expenditure was impaired as shown in note 14 (combined with the impairments detailed below).

The Council also impaired the cost of works to flats within blocks for which the lease has been sold £602,769, of which structural work constituted £566,298, roofing £17,456, window installations £12,090 and door access controls £6,511. Other impairments include the enhancement of HRA estates £130,433.

The Council also impaired the cost of works to HRA shops £144,559 and district heating boiler houses £61,924 as it was deemed not to add value.

Remedial works were carried out on City Hall £629,379, St Giles Car Park £358,095 and Waterloo Pavilion £50,247. All these assets had been valued at the beginning of the year. The Valuer advised this expenditure would not increase the valuation therefore it was impaired immediately.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £947,451 (2016/17 £407,472). These were payable to 39 (7 in 2016/17) officers who were made redundant as part of the Council's rationalisation of Services and include amounts payable in respect of early retirement to the pension fund.

The 2017/18 accounts include an estimate of £56,757 based on probable redundancy costs for a number of officers as part of the restructure of several service areas during 2017/18. As there are redeployment opportunities some of these officers may not be made redundant whilst others will leave during 2018/19, any variance between the accrual in 2017/18 and the final exit package costs will be disclosed as part of the 2018/19 accounts.

44. Other Long Term Liabilities

The Council has other long term liabilities as detailed in the table below

	2017/18	2016/17
	£000	£000
Pension Fund Liability	177,895	184,829
Other	110	103
	178,004	184,932

45. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered by Norfolk County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The LGPS pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Norfolk County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee which includes the Interim Head of Finance of Norfolk County Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2017/18		2016/17
	£000		£000
Comprehensive Income & Expenditure Statement			
<i>Cost of Services</i>			
Current service cost	7,819		4,391
(Gain)/loss from settlements	100		335
<i>Financing and Investment Income and expenditure</i>			
Net Interest expense	4,634		4,164
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	12,553		8,890
<i>Other post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>			
Return on plan assets (excluding the amount included in the net interest expense)	(4,492)		(20,718)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	-		(4,029)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(7,768)		76,183
Other experience	(502)		7,577
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(209)		67,903
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code and HRA balances for pensions in the year	(12,553)		(8,890)
Total Remeasurements recognised in Other Comprehensive Income	(12,762)		59,013

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a loss of £146.355m (31 March 2017 loss of 159.117m)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2017/18		2016/17
	£000		£000
Present Value of funded liabilities	(438,820)		(440,331)
Present Value of unfunded liabilities	(19,924)		(21,157)
Fair Value of plan assets	280,861		276,581
Net Liability arising from defined benefit obligation	(177,883)		(184,907)

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	2017/18	2016/17
Reconciliation of present value of the scheme liabilities:	£000	£000
At 1 April	(461,488)	(378,041)
Total service Cost	(7,819)	(4,391)
Interest Cost	(11,456)	(12,693)
Contributions by Members	(1,270)	(1,259)
Remeasurement (gains)/Losses		
- actuarial gains/losses arising from changes in demographic assumptions	-	-
- actuarial gains/losses arising from changes in financial assumptions	7,768	(76,183)
- other	502	(3,548)
Benefits Paid	15,119	14,962
Losses/(Gains) on curtailments	(100)	(335)
At 31 March	(458,744)	(461,488)

	2017/18	2016/17
Reconciliation of fair value of the scheme assets	£000	£000
At 1 April	276,581	254,635
Interest Income	6,822	8,529
Remeasurement Gain/(loss)		
the return on plan assets excluding amount included in net interest expense	4,492	20,718
Employer Contributions	5,686	5,210
Contributions by Members	1,270	1,259
Contributions in respect of unfunded benefits	1,129	1,192
Benefits Paid	(13,990)	(13,770)
Unfunded benefits paid	(1,129)	(1,192)
(gains)/loss on curtailments	-	-
At 31 March	280,861	276,581

Local Government Pension Scheme assets comprised:

	2017/18				2016/17			
	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets	Quoted Prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets
Cash & Cash Equivalents		15,142	15,142	5.4%		7,968	7,968	2.9%
Equity Instruments <i>by industry type</i>								
Consumer	19,873		19,873	7.1%	20,598		20,598	7.4%
Manufacturing	16,949		16,949	6.0%	16,073		16,073	5.8%
Energy and Utilities	5,393		5,393	1.9%	7,683		7,683	2.8%
Financial institutions	16,862		16,862	6.0%	17,777		17,777	6.4%
Health and care	5,539		5,539	2.0%	8,362		8,362	3.0%
Information Technology	9,478		9,478	3.4%	7,905		7,905	2.9%
Other	-		-	0.0%	-		-	0.0%
Sub-total Equity Instruments	74,094		74,094		78,398		78,398	
Private equity		16,699	16,699	5.9%		17,286	17,286	6.2%
Bonds <i>by sector</i>								
Corporate								
Other	3,584		3,584	1.3%	-		-	0.0%
Sub-total Bonds	3,584		3,584					
Property <i>by geographical location</i>								
UK property		20,885	20,885	7.4%		25,817	25,817	9.3%
Overseas property		3,424	3,424	1.2%		4,317	4,317	1.6%
Sub-total Property		24,309	24,309			30,134	30,134	
Investment Funds & Unit Trusts								
Equities	80,922		80,922	28.8%	73,460		73,460	26.6%
Bonds	65,880		65,880	23.5%	69,908		69,908	25.3%
Sub-total Investment Funds & Unit Trusts	146,802		146,802		143,368		143,368	
Derivatives	232		232	0.1%	(573)		(573)	-0.2%
Other								
Total Assets	224,712	56,150	280,862		221,193	55,388	276,581	

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2016.

The principle assumptions used in their calculations have been:

Mortality Assumptions:		2017/18	2016/17
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 inflation		2.40%	2.40%
Rate of increase in salaries		2.70%	2.70%
Rate of increase in pensions		2.40%	2.40%
Rate for discounting scheme liabilities		2.60%	2.50%
Take up of option to convert annual pension into retirement lump			
Pre-April 2008 service		50%	50%
Post-April 2008 service		75%	75%

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

Increase in Assumption £000

Rate of increase in salaries (increase by 0.5%)	3,980
Rate of increase in pensions (increase by 0.5%)	35,926
Rate for discounting scheme liabilities (decrease by 0.5%)	40,331

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contribution expected to be made to the scheme by the Council for the year to March 2019 is £5.9m

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years, (2016/17 16.2 years)

46. Contingent Assets and Liabilities

Liabilities

Norwich Livestock Market

On 30 March 2017 Norwich City Council surrendered its lease on the Norwich Livestock Market and received a deferred capital receipt of £800k from the landowner relating to the original sale of the land in 2010. This decision to surrender the lease was challenged by the council's former tenants, Norwich Livestock Market Ltd, who had now become tenants of the landowner. On 8th March 2018 a judicial review concluded that Norwich City Council must have a property interest in a livestock market in order to fulfil its statutory obligations under the Norwich Corporation Markets Act 1860. The judge also confirmed the need to consult interested parties before any change in the location of the market.

As a result of the judicial review findings the Council's lease with Norwich Livestock Market is re-established. Pending the outcome of discussions with the current landowner, and results of the consultation, it is not yet known what costs the Council may ultimately incur in meeting the requirements of the judicial review. The Council assesses its maximum liability to be £800k.

NHS Trusts

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 Norwich City Council and ongoing reduced business rates going forward as well as impacting the Norfolk business rates pool. The decision to grant relief to the Trust related to the council has not yet been taken and is subject to ongoing investigation. The view of the council is that the claim is unfounded. The timing, probability and amount of any relief is therefore uncertain at the current time.

Dispute

The Council has been in dispute with one of its contractors over some construction costs. The case was referred for adjudication and on 1 May 2018 the Adjudicator ruled in favour of the Council, finding it not to be liable for additional payments to the contractor. The Council does not consider that it is liable for any costs, however as the decision could be referred to the High Court a contingent liability is disclosed.

47. Related Parties

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

UK government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from

government departments are set out in Note 39 on reporting for resources allocation decisions. Grant receipts in advance outstanding at 31 March 2018 are also shown in Note 39; debtors are shown in Note 22 and creditors in Note 25.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 and 2016/17 is shown in Note 36. During 2017/18, no works and services (2016/17 £nil) were commissioned from organisations in which any members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition members approved £256,000 (2016/17 £306,828) and officer working parties a further £2,400 (2016/17 £5,046) as grants to voluntary organisations in which five members had an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at City Hall during office hours.

During 2017/18, a capital grant of £5,000 was made to one organisation (2016/17 £24,603 revenue grant to one organisation) in which a member of senior management had an interest. The member of senior management did not take part in any discussion, decision, or administration relating to the grant.

During 2017/18, there were no works and services commissioned (2016/17 Nil) from entities in which officers had interests.

Companies and joint ventures – the council has interests in:

- I. Two companies, Legislator 1656 and 1657 Ltd, which the Council has shares in and are related to developments at Norwich Airport.
- II. Norwich Norse (Environmental) Ltd – provides a range of facilities, management, and contract services to Norwich and surrounding areas.
- III. Norwich Norse (Building) Ltd – provides maintenance, repairs and upgrades to housing and non-housing buildings for Norwich City Council.
- IV. NPS Norwich Ltd – provides property management services to Norwich City Council.
- V. Norwich Regeneration Ltd – a wholly owned subsidiary company set up by the council to carry out redevelopment projects.

For all the above, the Council has officer and member representatives on the boards of these companies, and relevant information is disclosed in the notes to the accounts about such interests.

No amounts of money have been paid to or from the Legislator companies during 2017/18. £6,306,964 (2016/17 £6,191,560) has been spent with Norwich Norse Environmental Ltd, and £12,856,869 (2016/17 £10,691,455) with Norwich Norse Building Ltd during 2017/18 and £4,011,212 (2016/17 £4,022,199) has been spent with NPS Norwich Ltd. Amounts due to Norwich Norse Environmental Ltd are £99,176, Norwich Norse Building Ltd are £2,511,587 and NPS Norwich Ltd are £17,175. Amounts due from Norwich Norse Environmental Ltd are £248,000, Norwich Norse Building Ltd £119,500 and NPS Norwich Ltd £480,360.

At 31 March 2016 the council had entered into a development agreement with Norwich Regeneration Ltd (NRL) for the development of social housing at Threescore in Norwich. The company has issued shares to the council in exchange for land (at the full market value) upon which it will carry out the development work at Threescore. During 2017/18 the council loaned NRL £10,706,408 bringing the total amount loaned to £11,500,000 (2015/16 £23,000; 2016/17 £770,962). Under the terms of the development agreement the council's Housing Revenue Account made a payment of £1,223,267 to NRL in 2017/18 (£nil 2016/17). At 31 March 2018 amounts due to NRL are £1,296,617 and amounts due from NRL are short term £773,720 and long term £11,500,000 (2016/17 £770,962).

Several councillors are appointed to represent the Council on various Strategic Partnership boards. During the year there have been a number of transactions with the Strategic Partnerships totalling £484,001 (2016/17 £363,574). There have also been a number of transactions on behalf of the strategic partnerships with the Highways Agency, disclosed in Note 35. These partnership activities are integrated into the council's usual budget setting and management processes.

Housing Revenue Account Income & Expenditure Statement

	Notes	2017/18	2016/17
		£000	£000
Expenditure			
Repairs & Maintenance		11,922	12,059
Supervision & Management		16,641	16,218
Rents, Rates, Taxes & Other Charges		5,751	5,848
Depreciation & Impairment of Non-current Assets	HRA 10&11	15,611	16,420
Local Authority Housing - Revaluation loss (gain) on Dwellings		(42,997)	(10,156)
Debt Management Costs		124	133
Movement in Allowance for Bad Debts		456	(27)
Total Expenditure		7,508	40,495
Income			
Dwelling Rents		(58,037)	(58,701)
Non-dwelling Rents		(2,190)	(2,141)
Charges for Services & Facilities		(2,701)	(3,192)
Contributions towards expenditure		(7,354)	(7,541)
Total Income		(70,282)	(71,575)
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement		(62,774)	(31,080)
HRA services share of Corporate & Democratic Core		726	529
Net (Income)/Cost of HRA Services		(62,048)	(30,551)
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
Other Operating Expenditure		(4,186)	(2,455)
Financing & Investment Income & expenditure		8,940	9,440
Taxation & Non-Specific Grant Income		(1,163)	(472)
(Surplus)/deficit for the year on HRA services		(58,457)	(24,038)

The amounts disclosed above do not match those in the Comprehensive Income and Expenditure Statement disclosure relating to the Housing Revenue Account as the figures above are after corporate recharges and those in the Comprehensive Account Income and Expenditure Statement are before these recharges.

Movement in Reserves Statement (Housing Revenue Account)

	2017/18	2016/17
	£000	£000
Balance at 1 April	30,387	26,190
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	58,457	24,038
Total Comprehensive Income & Expenditure	58,457	24,038
Adjustments between accounting basis & funding basis under regulations (note 7 main accounts)	(57,555)	(19,790)
Net Increase/ Decrease before Transfers to Earmarked Reserves	902	4,248
Transfers between reserves	(107)	(49)
Increase/Decrease in Year	102	4,197
Balance at 31 March carried forward	30,489	30,387

Notes to Housing Revenue Account Income & Expenditure Statement

1. Other Operating (Income) / Expenditure

	2017/18	2016/17
	£000	£000
(Gains)/Losses on the disposal of non-current assets	(4,186)	(2,455)
Total	(4,186)	(2,455)

2. Financing and Investment Income and Expenditure

	2017/18	2016/17
	£000	£000
Interest payable and similar charges	8,035	8,480
Pension interest cost and expected return on pension assets	1,142	1,182
Interest receivable and similar income	(238)	(222)
Total	8,939	9,440

3. Taxation and Non-Specific Grant Income

	2017/18	2016/17
	£000	£000
Capital Grants and contributions	(1,163)	(472)
Total	(1,163)	(472)

4. Loan Charges

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7.965m being charged to the HRA in 2017/18 (2016/17 £8.405m).

5. HRA Council Dwellings

At 31 March 2018 there were 14,807 HRA Council dwellings, of which 923 were sheltered housing units.

	31-Mar-18	31-Mar-17
	Total Stock	Total Stock
Parlour houses	303	307
Non-parlour houses	5,099	5,180
Non-traditional houses	632	639
Bungalows	336	337
Cottage properties	201	211
Flats	6,415	6,479
Maisonettes	491	502
Flats in tower blocks	407	409
Sheltered/Good Neighbour housing units	923	923
	14,807	14,987
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	14,987	15,156
Right to Buy sales	(187)	(163)
Other Dwelling Sales	(7)	(7)
Conversions	4	2
Demolitions	-	(17)
New Build Housing	10	16
	14,807	14,987
Stock as at 31 March	14,807	14,987

6. Housing Valuation

	31-Mar-18	31-Mar-17
	£000	£000
Operational Assets:		
Council Dwellings (HRA)	757,322	716,610
Other Land & Buildings	24,618	23,957
Vehicle, Plant & Equipment	842	936
Infrastructure & Community Assets	2,197	2,197
Assets Under Construction	12,915	7,517
Surplus assets	-	-
Sub Total	797,894	751,217
Assets held for Sale - Current	10	215
Sub Total	10	215
Intangible Assets	-	51
Sub Total	-	51
Total	797,904	751,483

The above figure for Council dwellings (HRA) equates to the value for Council dwellings shown in note 14 to the Core Financial Statements.

As set out in the Statement of Accounting Policies, Council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that Local Authority Housing is let at sub-market rents and, in broad terms, is arrived at after applying a regional adjustment factor of 62% (2016/17 62%). The difference between the two values therefore shows the economic cost of providing housing at less than market value.

The Vacant Possession Value of all HRA Dwellings as at 31 March 2018 was £1,953.59m (31 March 2017 £1,848.57m)

7. Major Repairs Reserve

	2017/18	2016/17
	£000	£000
Balance brought forward at 1 April	-	-
Depreciation charge for the year	(14,001)	(13,553)
Financing of capital expenditure for the year	7,001	13,553
Balance for the year	(7,000)	-
Balance Carried forward	(7,000)	-

8. HRA Capital Expenditure

	2017/18	2016/17
	£000	£000
Capital Investment		
Opening Capital Financing Requirement 1st April	205,717	206,827
Operational Assets	14,543	19,617
Other Land & Buildings	145	286
Assets under Construction	8,405	4,491
Revenue Expenditure Financed as Capital	4,225	1,829
Appropriation to General Fund	-	(255)
	233,035	232,795
Sources of Finance		
Capital Receipts	(6,628)	(2,667)
Government Grants & Other Contributions	(1,163)	(472)
Major Repairs Allowance	(7,001)	(13,553)
Revenue Contributions	(12,527)	(9,530)
	205,716	206,573
HRA Non Dwellings depreciation, revaluation & impairments	-	(856)
Closing Capital Financing Requirement 31 March	205,716	205,717

9. HRA Capital Receipts

In 2017/18 total capital receipts from the disposal of HRA assets were:

	2017/18	2016/17
	£000	£000
Land	163	408
Council dwellings	14,711	11,625
Total	14,874	12,033

10. Depreciation

From 1st April 2012 depreciation of the Council's housing stock is calculated by reference to the value at the previous 31st March. Council dwellings have their individual components identified as to the date of upgrade, and using the asset life as advised by the Council's valuers, depreciation associated with each properties components is calculated. The amount of depreciation charged for the year was £14.150m (2016/17 £14.232m)

	2017/18	2016/17
	£000	£000
<u>Operational Assets</u>		
Council dwellings	13,472	13,553
Other land & buildings	533	534
Vehicles, Plant & Equipment	94	94
Intangible Assets	51	51
Total	14,150	14,232

11. Impairment Costs

During the year there were £1.461m of impairment costs (2016/17 £2.189m) relating to HRA assets, which are detailed in the table below.

	2017/18	2016/17
	£000	£000
Council Dwellings	(1,317)	(1,888)
Other Property	(144)	(301)
Total	(1,461)	(2,189)
Disabled Facilities adaptations not adding value	(523)	(745)
Lift installations not adding value	-	-
Upgrades to District Heating schemes not adding value	(62)	-
Enhancement of HRA estates not adding value	(130)	(14)
Construction of Bin Stores not adding value	-	(7)
Structural work to flats where lease has been sold not adding value	(566)	(1,075)
Other work to flats where lease has been sold not adding value	(36)	(46)
Other	(144)	(301)
Total	(1,461)	(2,189)

12. Pensions Reserve

As set out in the Statement of Accounting Policies at Note 1, the Council has restricted the accounting entries for the purposes of IAS19 'Retirement Benefits' to current service cost only for the HRA. This is reflected in the Net Cost of Services and a compensating adjustment is made to the Pensions Reserve in order that there is no impact on either the Surplus/ (Deficit) for the year or subsequent rent levels.

13. Rent Arrears

Rent arrears at 31 March 2018 were £4.97m (31 March 2017 £4.46m). The provision for doubtful debts (rents) at 31 March 2018 was £2.85m (31 March 2017 £2.63m). Amounts written off during the year amounted to £0.31m (2016/17 £0.45m).

The Collection Fund Revenue Account

	31-Mar-18			31-Mar-17
	Business Rates	Council Tax	Total	Total Restated
	£000	£000	£000	£000
INCOME				
Council Tax receivable		75,459	75,459	72,519
Business rates receivable	75,608		75,608	80,868
Council Tax Reduction Scheme		(13,239)	(13,239)	(13,062)
	75,608	62,220	137,828	140,325
EXPENDITURE				
Precepts & Demands:				
Central Government	37,712		37,712	38,931
Norfolk County Council	7,542	43,762	51,304	48,656
Norfolk Police Authority		7,615	7,615	7,309
Norwich City Council	30,170	8,732	38,902	39,520
Distribution of Estimated Surplus / (Deficit) for Previous Years:				
Central Government	(165)		(165)	(1,437)
Norfolk County Council	(33)	1,450	1,417	285
Norfolk Police Authority		259	259	104
Norwich City Council	(132)	297	165	(1,030)
Charges to Collection Fund				
Transitional Protection Payment	1,570		1,570	150
Costs of Collection	271		271	271
Increase/decrease in Bad Debt Provision	(472)	(33)	(505)	1,319
Increase/decrease in Provision for Appeals	897		897	1,475
Write Offs of uncollectable amounts	671	461	1,132	879
	78,031	62,543	140,574	136,432
Collection Fund Balance b/fwd at 1 April	(122)	5,647	5,525	1,632
Surplus / (Deficit) for the year	(2,423)	(323)	(2,746)	3,893
Collection Fund Balance c/fwd at 31 March	(2,545)	5,324	2,779	5,525

2016/17 restated to split out the transitional payment payable from the business rates receivable. Presentational change only.

Notes to the Collection Fund Statement

1. Income from Business Rates

Since 1 April 2013 and the introduction of the Business Rates Retention Scheme, the Council collects national non-domestic rates (NNDR) for its area, which are based on local rateable values controlled by the Valuation Office multiplied by a uniform rate controlled by Central Government. The total amount, less certain reliefs and other deductions, is paid to Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

The total non-domestic rateable value at 31 March 2018 (2017 list) was £200,521,031 (31 March 2017 (2010 list) £193,716,266). The national non-domestic rate multiplier for 2017/18 was 47.9p in the £ (2016/17 49.7p in the £). The small business multiplier for eligible businesses in 2017/18 was 46.6p in the £ (2016/17 48.4p in the £).

2. Council Tax

The calculation of the tax base, i.e. the number of chargeable dwellings in each Valuation Band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, is shown below:

Property Value	Band	2017/18 Calculated Number of Properties in Band	2016/17 Calculated Number of Properties in Band
Up to £40,000	A	10,160.14	9,675.79
£40,001 to £52,000	B	12,483.29	12,194.58
£52,001 to £68,000	C	5,919.51	5,870.27
£68,001 to £88,000	D	2,999.15	2,990.60
£88,001 to £120,000	E	2,375.33	2,408.45
£120,001 to £160,000	F	1,169.64	1,199.61
£160,001 to £320,000	G	949.50	952.25
Over £320,000	H	95.00	92.00
		36,151.56	35,383.55
Collection Rate		0.97	0.97
Tax Base		35,067.00	34,322.00

The tax rate per Band D property was £1,714.12 (2016/17 £1,647.74).

3. Council Tax Contribution to Collection Fund Surpluses & Deficits

The Council Tax surplus/deficit on the Collection Fund will be distributed in subsequent financial years between Norwich City Council, Norfolk County Council and Norfolk Police Authority in proportion to the value of the respective precept made on the Collection Fund.

	2017/18	2016/17
	£000	£000
Norfolk County Council	3,894	4,112
Norfolk Police Authority	675	715
Norwich City Council	755	820
Surplus Carried Forward	5,324	5,647

4. NNDR Contribution to Collection Fund Surpluses and Deficits

The NNDR surplus/deficit on the Collection Fund will be distributed in subsequent financial years between Central Government, Norwich City Council and Norfolk County Council in accordance with legislated percentages of 50%, 40% and 10% respectively.

	2017/18	2016/17
	£000	£000
Central Government	(1,273)	(61)
Norwich City Council	(1,018)	(49)
Norfolk County Council	(255)	(12)
Surplus /(deficit) Carried Forward	(2,546)	(122)

Group Financial Statements

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 Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Norwich Regeneration 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

These statements are set out on the following pages, together with accompanying disclosure notes.

2. 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. These entities are 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:

Norwich Regeneration Limited (NRL)	Subsidiary	Consolidated
NPS Norwich Ltd	Associate	Consolidated
Norwich Norse (Environmental) Limited	Associate	Consolidated
Norwich Norse (Building) Limited	Associate	Consolidated
Three Score Open Space Management Ltd	Subsidiary	Not material

3. Norwich Regeneration Limited (NRL)

Norwich Regeneration Limited (NRL) was incorporated on 13 November 2015. It is wholly owned by Norwich City Council. It was set up to develop more housing for affordable rent (to be purchased by the HRA upon completion from NRL) and also to develop housing for private sale and market rent. The company's first set of accounts was produced as at 31 March 2017 for the period from November 2015 to 31 March 2017. These accounts have been audited by Aston Shaw. Copies of the accounts may be obtained from Companies House or by request to the Council.

In 2016/17 the lack of trading and the non-material level of transactions and assets led to the conclusion that group accounts were not required for year end 31 March 2017 on the grounds of materiality. However for the year ended 31 March 2018 there has been significantly more activity on the Three Score development site and accordingly group accounts have been prepared for 2017-18. The Company's accounting period for 2017-2018 is from 1 April 2017 to 31 March 2018.

As a subsidiary, the accounts of NRL have been consolidated with those of the Council on a line by line basis, and any balances and transactions between parties have been eliminated in full. NRL expenditure and income, adjusted for transactions with the council, is shown within the Norwich Regeneration Limited line in the Comprehensive Income and Expenditure Statement. As the NRL performance is not reported alongside the Council's to management, the figures have been shown as a separate service line. Balance sheet values are incorporated into the relevant heading of the Balance Sheet, removing balances owed between the two parties.

NRL has prepared 2017/18 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies. Both entities have a financial year end of 31 March.

4. NPS Norwich Ltd

This is a company owned by NPS Property Consultants Limited (a subsidiary of Norfolk County Council) and Norwich City Council. The principle activity of the company is the provision of property management services for NCC, which is managed under a service agreement.

NPS Property Consultants hold eight A shares and NCC hold two B shares in NPS Norwich Ltd. Two senior officers of NCC are Directors of NPS Norwich Ltd whilst NPS Property Consultants have three representatives on the board. In line with the Service Level Agreement, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges, with NPS Property Consultants Limited retaining the remaining 50%.

NPS Norwich Ltd has been included within the Group due to the nature and extent of activities carried out by the associate for the council.

An estimate of the pre-tax discount is accrued at the year-end within the Council's accounts. The company results are disclosed in Note 34 of the Council's single entity accounts.

Apart from the discount on charges, there is no other entitlement to NCC e.g. dividends or rights to retained profits and therefore no financial equity asset to be disclosed in the Group Accounts.

5. Norwich Norse (Environmental) Limited

This is a company owned by Norse Commercial Services (NCS) Limited (a subsidiary of Norse group, itself a subsidiary of Norfolk County Council) and Norwich City Council. The principle activities of the company are provision of streets, buildings and other cleaning, grounds maintenance, arboriculture and associated services for NCC, which is managed under a service agreement.

NCS hold eight A shares and NCC hold two B shares in Norwich Norse (Environmental) Limited. A senior officer of NCC and the portfolio holder are Directors of Norwich Norse (Environmental) Limited whilst NCS have three representatives on the board. In line with the Service Level Agreement, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges, with Norse Commercial Services Limited retaining the remaining 50%.

Norwich Norse (Environmental) Ltd has been included within the Group due to the nature and extent of activities carried out by the associate for the council.

An estimate of the pre-tax discount is accrued at the year-end within the Council's accounts. The company results are disclosed in Note 34 of the Council's single entity accounts.

Apart from the discount on charges, there is no other entitlement to NCC e.g. dividends or rights to retained profits and therefore no financial equity asset to be disclosed in the Group Accounts.

6. Norwich Norse (Building) Limited

This is a company owned by NPS Norwich Limited (NPSN) and Norwich City Council. The principle activities of the company are provision of reactive and proactive maintenance and refurbishments, repairs and upgrades for both housing revenue and general fund non-housing buildings.

NPSN hold eight A shares and NCC hold two B shares in Norwich Norse (Building) Limited. A senior officer of NCC and the portfolio holder are Directors of Norwich Norse (Building) Limited, whilst Norfolk County Council appoints two Directors to the board, the fifth Director is the company Managing Director whom is jointly appointed by NPSN & NCC. In line with the Service Level Agreement, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges, with NPS Norwich Ltd retaining the remaining 50%.

Norwich Norse (Building) Ltd has been included within the Group due to the nature and extent of activities carried out by the associate for the council.

An estimate of the pre-tax discount is accrued at the year-end within the Council's accounts. The company results are disclosed in Note 34 of the Council's single entity accounts.

Apart from the discount on charges, there is no other entitlement to NCC e.g. dividends or rights to retained profits and therefore no financial equity asset to be disclosed in the Group Accounts.

7. Three Score Open Space Management Ltd

This company has been set up to manage the open spaces around the Three Score development. The principle activity will be to maintain the open spaces on the Three Score site. Income to do this will be generated through homeowners paying over of an annual service charge to the company for the maintenance. This is incorporated within the contract to purchase any properties on the site.

The company has been set up initially as a subsidiary of NRL and NCC are registered as subscribers and have guarantee limit of £1 each should the company be wound up. NRL has been registered as being the Relevant Legal Entity with 75% ownership of the voting rights. NCC is named as an 'Other Registrable Person' again with 75% ownership of the voting rights (as it indirectly holds the voting rights as parent company of NRL). In the long term it is intended to hand the company over to the residents/stakeholders to manage at which point the ownership of the voting rights will be amended accordingly.

The company was set up during 2017/18; however there has been no activity during the year.

8. Basis of Consolidation

The financial statements of Norwich Regeneration Limited have been consolidated with those of Norwich City Council on a line by line basis which has eliminated balances, transactions, income and expenditure between the Council and the subsidiary.

Prior year comparative figures have not been included on the basis that Norwich Regeneration Ltd's transactions in 2016/17 were not material.

Group Movement in Reserves Statement

	Council's usable Reserves	Subsidiary usable Reserves	Total Group usable Reserves	Council's unusable Reserves	Subsidiary unusable Reserves	Total Group unusable Reserves	Total Group Reserves
Balance at 31 March 2017 carried forward	79,862	-4	79,858	512,334	-	512,334	592,192
<u>Movement in reserves during 2017/18</u>	-		-	-	-	-	-
Surplus/ (deficit) on provision of services	58,035	-206	57,829	-	-	-	57,829
Other Comprehensive Income & Expenditure	-		-	27,461	-	27,461	27,461
Total Comprehensive Income & Expenditure	58,515	(206)	58,309	27,461	-	27,461	85,770
Adjustments between group accounts and authority accounts	480	-480	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 9)	(37,460)		(37,460)	37,460	-	37,460	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	21,055	(686)	20,369	64,921	-	64,921	85,290
Transfers to/from Earmarked Reserves (note 10)	-		-	-	-	-	-
Transfers between reserves	172		172	(172)	-	(172)	-
Other Adjustments	(10)		(10)	-	-	-	(10)
Increase/(Decrease) in 2017/18	21,217	(686)	20,531	64,749	-	64,749	85,280
Balance at 31 March 2018 carried forward	101,080	(690)	100,390	577,083	-	577,083	677,473

Group Comprehensive Income and Expenditure Statement

		2017/18		
	Group Notes	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000
Business Services		71,723	(61,326)	10,397
Chief Executive		733	(18)	715
Communications & Culture		5,877	(1,132)	4,745
Regeneration & Growth		14,962	(11,156)	3,806
Neighbourhoods		18,671	(7,468)	11,203
Housing Revenue Account		3,899	(70,299)	(66,400)
Norwich Regeneration Ltd		212	(4)	208
Cost of Services		116,077	(151,403)	(35,326)
Other Operating Expenditure				(3,290)
Financing and Investment Income and Expenditure	1			9,208
Taxation and Non-Specific Grant Income				(28,421)
(Surplus) / Deficit on Provision of Services				(57,829)
(Surplus) / deficit on revaluation of non-current assets				(14,699)
Actuarial (gains) / losses on pension assets / liabilities				(12,762)
Other Comprehensive (Income) and Expenditure				(27,461)
Total Comprehensive (Income) and Expenditure				(85,290)

Group Balance Sheet

	Group Notes	31-Mar-18
		£'000
Property, Plant & Equipment	2	922,490
Heritage Assets		25,545
Investment Properties	3	59,625
Intangible Assets		603
Long term Investments	4	824
Long Term Debtors	5	9,413
Long Term Assets		1,018,500
Short Term Investments		23,000
Assets Held for Sale		199
Short term Debtors	6	12,849
Inventories	7	5,864
Cash and Cash Equivalents	8	32,377
Current Assets		74,289
Short Term Borrowing		(2,866)
Short Term Creditors	9	(26,193)
Capital Grants Receipts in Advance Short Term		(678)
Current Liabilities		(29,737)
Long Term Creditors		(2,842)
Long term Borrowing		(199,902)
Other Long Term Liabilities		(178,004)
Provisions		(2,561)
Capital Grants Receipts in Advance Long Term		(2,271)
Long Term Liabilities		(385,580)
Net Assets		677,472
Usable Reserves		100,389
Unusable Reserves		577,083
Total Reserves		677,472

Group Cash Flow Statement

	Group Notes	2017/18 £'000
Net (surplus) or deficit on provision of services		57,829
Adjustments to net surplus or deficit on provision of services for non-cash movements		(24,778)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(17,300)
Net cash flows from Operating Activities		15,751
Investing Activities		6,567
Financing Activities		(8,776)
Net Increase or (decrease) in cash and cash equivalents		13,542
Cash and cash equivalents at the beginning of the reporting period	8	18,834
Cash and cash equivalents at the end of the reporting period	8	32,376

Notes to the Group Accounts

Group Boundary

Norwich Regeneration Limited was incorporated on 13 November 2015. On 7 October 2016, the Council transferred 3.35 hectares of land at Bowthorpe at full market value to its wholly owned subsidiary Norwich Regeneration Limited in exchange for 22,000 £100 shares in the company. It is a subsidiary for accounting purposes, and has been consolidated into the Council's group accounts.

The Council has determined its associate relationships as follows:

NPS Norwich Ltd	Associate	Consolidated
Norwich Norse (Environmental) Limited	Associate	Consolidated
Norwich Norse (Building) Limited	Associate	Consolidated

Accounting Policies

NRL has prepared 2017/18 accounts using accounting policies consistent with those applied by the Council, and no adjustments have been required to align accounting policies.

There is only one addition to the stated accounting policies for the Council which needs to be included for NRL. This is the accounting policy for Inventories. There is no stated policy on Inventories within the council's accounting policies as these are immaterial for the Council. However Inventories are material for NRL.

The accounting policy is that Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula. The policy is consistent for both the Council and NRL.

Both entities have a financial year end of 31 March. Disclosure notes have only been restated in the group accounts section where they are materially different from those of the Council's single entity accounts.

9. Financing and investment Income and Expenditure

	2017/18
	£'000
Interest payable and similar charges	8,791
(Gains)/Losses on the disposal of investment property	(265)
Pension interest cost and expected return on pension assets	4,634
Interest Receivable and similar income	(302)
Income and expenditure in relation to investment properties and changes in their fair value	(3,683)
Other investment income	(12)
Impairment of Soft Loans	45
Total	9,208

10. Property Plant and Equipment

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
Movements in 2017/18	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	721,442	132,520	27,200	2,772	11,577	270	11,987	907,768
Additions	13,995	2,926	185	5	131	-	8,781	26,023
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,216	6,423	-	-	-	-	-	10,639
Revaluation decreases recognised in the Surplus / (Deficit) on the Provision of Services	(2,074)	(4,028)	-	-	-	-	-	(6,102)
Revaluation write back of prior year deficit recognised in the Surplus / (Deficit) on the Provision of Services	32,069	4,710	-	-	-	-	-	36,779
Derecognition – Disposals	(9,481)	-	(28)	-	-	-	-	(9,509)
Derecognition - Other	(278)	-	-	-	-	-	-	(278)
Demolition	-	(16)	-	-	-	-	-	(16)
Assets Reclassified (to) / from Held for Sale	(710)	(74)	-	-	-	-	-	(784)
Other Movements in Cost or Valuation	3,169	(161)	-	-	-	-	(3,008)	-
Other Movements in Cost or Valuation	-	-	-	-	-	-	-	-
At 31 March 2018	762,348	142,300	27,357	2,777	11,708	270	17,760	964,520
Accumulated Depreciation & Impairment								
At 1 April 2017	(4,831)	(15,238)	(23,247)	(1,063)	(100)	(8)	-	(44,487)
Depreciation charge	(13,473)	(2,567)	(773)	(78)	(8)	(8)	-	(16,907)
Depreciation written out to the Surplus/Deficit on Provision of Services	12,507	2,605	-	-	-	-	-	15,112
Depreciation write-back on revaluation to Revaluation Reserve	965	2,369	-	-	-	8	-	3,342
Impairment losses / (reversals) recognised in CIES	(193)	601	-	-	-	-	-	408
Impairment losses / (reversals) recognised in RR	1	473	-	-	-	-	-	474
Derecognition – Disposals	-	-	28	-	-	-	-	28
Derecognition - Other	(2)	2	-	-	-	-	-	-
At 31 March 2018	(5,026)	(11,755)	(23,992)	(1,141)	(108)	(8)	-	(42,030)
Net Book Value								
At 31 March 2018	757,322	130,545	3,365	1,636	11,600	262	17,760	922,490

The Council operates a 5-year rolling programme of revaluations in relation to land and buildings except for revaluation of Housing Revenue Account Assets which is carried out on an annual basis. The only non-current asset included in NRL's Balance Sheet at the 31 March 2018 is land held by the NRL which is as yet undeveloped. It has been valued at cost (£1.045m at 31.03.18). Property, plant and equipment for the single entity is measured at current value and revalued at least every five years, by the Council's external valuers NPS. The valuation cycle is shown in the table below and more details on the valuations can be found at note 14 to the single entity accounts.

VALUATION CYCLE '000s	Council dwellings	Other Land & Buildings	Community assets	Infrastructure	Vehicles, Plant, & Equipment	AUC	Surplus properties	Total PPE
Valued at historical cost	-	1,045	11,600	1,636	3,365	17,760	-	35,406
Valued at current value	-	-	-	-	-	-	-	-
2017-18	757,322	72,496	-	-	-	-	262	830,080
2016-17	-	8,098	-	-	-	-	-	8,098
2015-16	-	18,508	-	-	-	-	-	18,508
2014-15	-	4,078	-	-	-	-	-	4,078
2013-14	-	26,320	-	-	-	-	-	26,320
Total	757,322	130,545	11,600	1,636	3,365	17,760	262	922,490

11. Investment Properties

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

	2017/18
	£000
Balance at 1 April	41,773
Additions:	2,896
Purchases	13,615
Transfers	-
Disposals	(414)
Net gains / (losses) from fair value adjustments	1,755
Transfers (to) / from Property, Plant & Equipment	-
Balance at 31 March	59,625

The table above includes the investment properties which are held on NRL's Balance Sheet. These are houses being built which will be held by the company when complete for rental to the private sector. This will generate an income stream for the company. The assets are included at cost.

12. Long Term Investments

	2017/18
	£000
Equity Shareholding in Subsidiary	-
Norwich Airport Ltd	824
Norwich Preservation Trust	-
Total Long Term Investments	824

13. Long Term Debtors

	2017/18		
	Debtors	Provision for Bad Debt	Net Debtors
	£000	£000	£000
Advances for House Purchase: Council Houses Sold	3	-	3
Housing Act Advances	-	-	-
Norfolk County Council Transferred Debt	865	-	865
Deferred Capital Receipt Sale of Airport Shares	400	-	400
Deferred Capital Receipt – Livestock Market	-	-	-
Decent Home Loans	2,240	-	2,240
Finance Lease > 1 year	1,267	-	1,267
Home Improvement Loans	203	-	203
Local Authority Mortgage Scheme	1,000	-	1,000
Housing Benefit Overpayments	7,254	(4,918)	2,336
Shared Equity Dwellings	282	-	282
SALIX	334	-	334
Debts with legal charge over property	43	-	43
Wholly owned subsidiary	-	-	-
Other Long Term Debtors	440	-	440
Total	14,331	(4,918)	9,413

14. Short Term Debtors

	2017/18
	£000
Central Government Bodies	3,816
Other entities & individuals	7,134
Other Local Authorities	1,900
National Health Bodies	-
Total Short Term Debtors	12,850

15. Inventories

	Property Acquired or Constructed for Sale
	2017/18
	£000
Balance at start of year	2,228
Purchases	5,053
Recognised as an expense in year	
Transfers	(1,417)
Balance at end of year	5,864

The stock held on the balance sheet, relating to NRL, is the houses under construction that once complete will be sold on the open market.

16. Cash and Cash Equivalents

	2017/18
	£000
Cash held by Council	11
Bank current accounts	7,876
Short term deposits with banks	3,590
Short term deposits with building societies	1,650
Short term deposits with Debt Management Office	-
Short term deposits with local authorities	4,250
Money Markets	15,000
Total Cash & Cash Equivalents	32,377

17. Short Term Creditors

	2017/18
	£000
Central Government Bodies	2,153
Other Local Authorities	10,226
National Health Bodies	27
Trade Creditors	7,879
Receipts in Advance	2,737
Other entities & individuals	3,171
Total Short Term Creditors	26,193

Glossary of Terms

Accounting Period

The period of time covered by the accounts, normally a period of twelve months, that commences on 1 April for local authority accounts. The end of the accounting period, i.e. 31 March, is the balance sheet date.

Accrual

A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.

Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

Asset

An item having a value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year where a current asset (e.g. stocks or short-term debtors) can readily be converted into cash.

Audit of Accounts

An independent examination of the Council's financial affairs, which ensures that the relevant legal obligations and codes of practice have been followed.

Balance Sheet

A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.

Billing Authority

A local authority charged by statute with the responsibility for the collection of and accounting for council tax, NNDR and residual community charge. These in the main are district council's, such as Norwich, and unitary authorities.

Budget

A financial statement that expresses the council's service delivery plans in monetary terms. This covers as a minimum the same period as the financial year but increasingly council's are preparing medium-term financial plans covering 3 to 5 years.

Capital Expenditure

Expenditure to acquire fixed assets that will be used in providing services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

Capital Financing Requirement

The capital financing requirement reflects the Council's underlying need to borrow for a capital purpose.

Capital Programme

The capital schemes the council intends to carry out over a specified time period, often within a 6 to 10 year timeframe.

Capital Receipt

The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

Cash Equivalents

Investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Chartered Institute Of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

CIPFA Code of Practice on Local Authority Accounting

This specifies the principles and practices of accounting to be followed when preparing the Statement of Accounts. It constitutes "proper accounting practice" and is recognised as such by statute.

Collection Fund

A separate fund maintained by a billing authority which records the expenditure and income relating to council tax, NNDR and residual community charges.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples of community assets are parks.

Comprehensive Income and Expenditure Statement

This statement reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants, and income from local taxpayers. It brings together expenditure and income relating to all the local authority's functions.

Consistency

The concept that the accounting treatment of like items within an accounting period, and from one period to the next one is the same.

Contingent Liability

A possible obligation arising from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events, that are not wholly within the Council's control.

Creditor

Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

Debtor

Amounts due to the Council for work done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

Depreciation

The measure of the cost or revalued amount of the benefits of a fixed asset that have been consumed during the accounting period.

Effective Rate of Interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance at initial measurement.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council, and which need to be disclosed separately, by virtue of their size or incidence, such that the financial statements give a true and fair view.

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Not the same as an Operating Lease (q.v.).

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets (e.g. bank deposits and investments), and financial liabilities (e.g. trade payables and borrowings).

Financial Reporting Standard (FRS)

Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is normally mandatory and any departure from them must be disclosed and explained.

Fixed Assets

Tangible assets that yield benefits to the Council, and to the services it provides, for a period of more than one year.

Housing Revenue Account

A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation owned by the Council.

Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Infrastructure Assets

Fixed assets belonging to the Council which do not necessarily have a resale value (e.g. highways), and for which a useful life-span cannot be readily assessed.

Intangible Fixed Assets

These are assets which do not have a physical substance, e.g. software licences, but which yield benefits to the Council and the services it provides, for a period of more than one year.

Minimum Revenue Provision

MRP is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements

Movement in Reserves Statement

This statement precedes the Comprehensive Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the General Fund, Housing Revenue Account & other reserves

Movement in Reserves Statement – Housing Revenue Account

This statement follows the Housing Revenue Account Income and Expenditure Statement. It takes into account items, in addition to the Income and Expenditure Account surplus or deficit, which are required by statute, and non-statutory proper practices, to be charged or credited to the Housing Revenue Account.

NNDR (National Non-Domestic Rate)

National Non-Domestic Rate is a standard rate in the pound, set by the government, on the assessed rateable value of properties used for business purposes.

Non-Current Asset

Tangible assets that yield benefits to the Council, and to the services it provides, for a period of more than one year.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor. Not the same as a Finance Lease (q.v.).

Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precept

The amount which a local authority, which cannot level a council tax directly on the public, requires to be collected on its behalf. The major precepting authorities are Norfolk County Council and Norfolk Police Authority.

Provisions

Monies set aside for liabilities which are likely to be incurred, but where exact amounts or dates are uncertain.

Prudential Code

The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.

Rateable Value

The annual assumed rental value of a property, which is used for business purposes.

Reserves

The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

Revenue Expenditure

Spending on day to day items, such as employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on that years' council tax.

Revenue Support Grant

The main grant paid by central government to a local authority towards the costs of their services.

SERCOP (Service Reporting Code of Practice)

The Service Reporting Code of Practice provides guidance on the content and presentation of costs of service activities within the CIES. It constitutes 'proper accounting practice' and is recognised as such by statute.

Tangible Assets

See Fixed Assets (q.v.)

Transfer of Undertakings (Protection of Employment) Regulations (TUPE)

This protects employees' terms and conditions of employment when a business is transferred from one owner to another. Employees of the previous owner when the business changes hands automatically become employees of the new employer on the same terms and conditions.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects, usually as a result of individual legacies and donations.

Two Tier Authority

In most areas of England, local government functions are divided between two tiers of local authority, county council's, known as "upper tier" authorities and city, borough or district council's, known as "lower tier" authorities.



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