

Audit and Risk Committee

Agenda 21 July 2020

2.00pm

This is a remote meeting held under the Broads Authority's [Standing Orders on Procedure Rules for Remote Meetings](#).

Participants: You will be sent a link to join the meeting. The room will open at 1.00pm and we request that you **log in by 1.30pm** to allow us to check connections and other technical details.

Members of the public: We will publish a live stream link two days before the meeting at [Audit and Risk Committee 21 July 2020](#). The live stream will be suspended for any exempt items on the agenda. Please email committees@broads-authority.gov.uk with any queries about this meeting.

Introduction

1. To receive apologies for absence
2. Introduction of members and declarations of interest
3. To note whether any items have been proposed as matters of urgent business
4. Public question time – to note whether any questions have been raised by members of the public
5. **To receive and confirm the minutes of the Audit and Risk Committee meeting held on 3 March 2020** (Pages 3-9)

Financial direction

6. **Update of financial position – Impact of COVID-19 crisis** (Pages 10-12)
Report by Chief Executive and Chief Financial Officer
7. **Draft Statement of Accounts 2019/20** (Pages 13-102)
Report by Chief Financial Officer

Audit

8. **Internal Audit Annual Report and Opinion 2019/20** (Pages 103-131)
Report by Head of Internal Audit

Items for consent

These items will be taken as a block. Members are asked to submit any questions relating to these items in advance of the meeting.

9. **Draft Model Member Code of Conduct** (Pages 132-163)
Report by Monitoring Officer
10. **Investment Strategy and Performance Annual Report 2019/20** (Pages 164-166)
Report by Chief Financial Officer
11. **External Audit** (Pages 167-173)
Report by Chief Financial Officer
12. **Implementation of internal audit recommendations – Summary of progress** (Pages 180-194)
Report by Chief Financial Officer
13. **Updated Procurement Strategy** (Pages 195-208)
Report by Chief Financial Officer

Other Matters

14. **Corporate Risk Register – 6 month review** (Pages 209-220)
Report by Head of Governance
15. Other items of business
Items of business which the chairman decides should be considered as a matter of urgency pursuant to Section 100B (4)(b) of the Local Government Act 1972
16. To answer any formal questions of which due notice has been given
17. **To note the date of the next meeting – Tuesday 17 November 2020 at 2.00pm at Yare House, 62/64 Thorpe Road, Norwich**

Audit and Risk Committee

Minutes of the meeting held on 03 March 2020

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Present

Louis Baugh – in the Chair, Nicky Talbot, Bill Dickson, Greg Munford, Tristram Hilborn (dial-in).

In attendance

Esmeralda Guds – Administrative Officer (Governance), Emma Krelle – Chief Financial Officer, Faye Haywood – Internal Audit Manager, Jacob McHugh – Audit Manager from External Audit Ernst & Young (EY).

1. Apologies and welcome

The Chairman welcomed everyone to the meeting, in particular Jacob McHugh as this was his first meeting, and Tristram Hilborn who joined the meeting by means of telephone conference.

Apologies were received from Fran Whymark, Lana Hemsall and John Packman.

Openness of Local Government Bodies Regulations 2014

The Chairman reminded Members that the meeting would be recorded as a back-up for accuracy. The Broads Authority (BA) retained the copyright. If a member or a member of the public wished to receive a copy of the recording, they should contact the Governance Team. No one else indicated that they would be recording or filming the meeting.

2. Introduction of members and declarations of interest

Members indicated they had no further declarations of interest other than those already registered, and as set out in Appendix 1 to these minutes.

3. Items of urgent business

There were no items of urgent business.

4. Public question time

No public questions had been received.

5. Minutes of Audit and Risk Committee meeting held on 19 November 2019

The minutes of the meeting held on 19 November 2019 were approved as a correct record and signed by the Chairman.

6. Investment strategy and performance report 2019/20 and draft capital, treasury and investment strategy 2020/21

Before introducing the report, the Chief Financial Officer (CFO) mentioned it was the Chairman's last Audit and Risk Committee meeting. She thanked him on behalf of the finance

team for his support and excellent service as Chairman of the Audit and Risk Committee (ARC) for two year and four months.

The CFO updated the Committee that as the National Park Grant had been confirmed as a roll over the 2019/20 allocation. As a result, the fixed term £1-million-pound deposit had been reinvested for a further one year at an interest rate of 1.05%.

The CFO reported there had been no significant changes to the Capital and Treasury part of the strategy compared to the 2019-20 version.

The new lease standard IRFS 16, which would be adopted in 2020/21, was likely to have an impact on increasing the Authority's long-term lease liabilities. Work to assess what the impact would be was under way.

At the last meeting a question was raised to consider the opportunity of repaying the Public Works Loan Board, which was a loan the Authority took out to purchase the Dockyard Operation from May Gurney. The CFO explained that the Capital Receipts Reserve (proceeds from the sale of Ludham Field Base) could only be used to purchase capital items or repay debt. As the original loan was for Navigation expenditure this would firstly need to be considered by the Navigation Committee, before it going to the BA meeting in May. The CFO confirmed that the Authority had considered paying off the loan early on several occasions but was not considered as affordable. Paying off the loan early would bring a small saving, however, the use for investment in other projects i.e a toilet and shower block at Acle Bridge, would be reduced and might mean having to raise tolls or taking out another loan.

The CFO confirmed that that there was an early repayment fee and that exact figures of repaying the loan early would be included in the reports both to Navigation and the Authority.

The Committee noted the current arrangements regarding the investment of surplus cash, including the fixed deposit which had been reinvested for a further year, and recommended the Draft Capital, Treasury and Investment Strategy to the Authority for approval.

7. Consolidated income and expenditure: 1 April to 31 January 2020 Actual and 2019/20 forecast outturn

The CFO reported there was no update for February and that the forecast deficit was likely to reduce a little further due to an increase in planning income. Also, vacancies which occurred around Christmas period were unlikely to be filled by March which meant there would be further savings in regards to salaries. An update would be provided for the March BA meeting.

A member enquired whether the gap in vacancies varied over the year. The CFO explained that when setting the budget, no allowance was made for vacancies. The difficulty was the split in many salary budgets between national park and navigation. The budget was based on the assumption that all roles were at 100% staff occupancy.

The Committee noted the income and expenditure figures.

8. Internal audit strategic and annual plans 2020/21

The Internal Audit Manager introduced the report and highlighted that the Audit Charter was approved by the Committee in 2019 and would therefore be reviewed and approved by the Committee in March 2021, as no changes had been required for the year ahead.

There were no significant changes to the Internal Audit Strategy except that the contract with TIAA had been extended for a further two years at the same fee.

The Internal Audit Manager confirmed that the Port Marine Safety Code, which was due to be audited in Quarter 2, would be reviewed by the same auditor as last time.

Planning would also be audited in Quarter 2, focusing on planning applications and enforcement action being carried out in line with the legislation and the Authority's agreed processes.

The IT review of Cyber Security had been postponed until next year to allow the team to recruit a new member of staff and work on the Cyber Security Essentials certification. Instead internal audit would focus on providing assurance over key legislative and health and safety systems.

The Annual Internal Audit Plan for 2020/21 totals 36 days, same as last year.

A member thanked the Internal Audit Manager for reassuring the committee about the cyber security issue in April 2019 and that this would be audited next year.

The Committee approved the Internal Audit Strategy for 2020/21 and the Annual Internal Audit Plan for 2020/21.

9. External audit

The Audit Manager from Ernst and Young took the Members through the report. He highlighted that the BA audit timeline was different to the timeline of other Local Authorities and that EY intended to provide an audit results report in July giving the need for the BA to provide accounts to DEFRA to be laid before parliament. The annual Audit letter would be provided at a later date, similar to last year.

The CFO commented that the audit results would not be brought to the ARC meeting on 21 July but would go directly to the BA meeting on the 24 July. Therefore, the accounts wouldn't be laid before parliament until the autumn recess as it would miss the summer recess deadline of 21 July.

The Chairman confirmed he had received a letter from the Chief Executive of Public Sector Audit Appointments Ltd (PSAA) and a letter from EY Partner and Public Sector Assurance Lead about the consideration of fees and an explanation of a likely fee increase. This letter had been circulated to Members prior to the meeting.

Nicky Talbot gave a verbal update on an EY briefing meeting she attended in Cambridge on 26 February where all East Anglia Authorities were represented. She said the meeting reviewed

why the EY issues had occurred. On the one hand EY demonstrated that increasing work load would lead to an increase in hourly rate to recover a fee deficit, while on the other hand authorities were trying to find justification for EY's request for an increase in fees.

The Chairman said there was a strong sense of disappointment within the BA. The letter from EY spoke in very generic terms about the issues without making any reference to specific reasons for a fee increase. It was therefore difficult for the Committee justifying an increase in fee to the BA.

The External Audit Manager explained that the audit adjustment was based on an overall increase effecting all authorities as well as an increase based on specific authority related issues such as quality of working papers, IT systems and staff skills. The Chairman suggested that any potential increase should be itemised and distinguish between the two aspects of a fee adjustment. He requested the BA's previous successful two-year rehearsal of the early account filing date at the former audit fee, prior to the PSAA process, should be the benchmark and of material consideration when determining a fee adjustment.

The CFO mentioned it would have been helpful if EY had communicated and clarified earlier that the 31 July wasn't a statutory deadline.

The Chairman asked the Committee to note appendix B (p120 of the agenda papers) which outlined the communications required with the Audit and Risk Committee.

The Committee noted the 2018/19 Annual Audit Letter, the 2019/20 Audit Plan and the briefing including the key questions as set out on page 72 of the agenda papers.

10. Implementation of internal audit recommendations: summary of progress

The CFO took the members through the report and updated the Committee that the Corporate Governance and Risk Management actions had now been completed. The delays with the Business Continuity Plan in regards to the IT audit and the HLF were now in hand. Also the Corporate Governance audit for 2019/20 was in process and results would be provided at the ARC meeting in July.

The CFO highlighted that for the second year running Key Controls did not receive any recommendations and maintained a substantial assurance. Given the issues around cybercrime earlier in the year, this gave re-assurance that adequate procedures were in place.

The Chairman, on behalf of the Committee, thanked and congratulated the finance team for their achievements in maintaining the quality standards within financial control, as to do so was quite remarkable for such a small organisation.

11. Other items of business

There were no items of urgent business for consideration pursuant to Section 100B (4) (b) of the Local Government Act 1972.

12. Formal questions

There were no formal questions of which notice had been given.

13. Date of the next meeting

Members noted that the date of the next Committee meeting would be held on Tuesday 21 July 2020 at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2.00pm.

The meeting ended at 3.01pm

Signed by

Chairman

Appendix 1 – Declaration of interests Audit and Risk Committee, 03 March 2020

Member	Agenda/minute	Nature of interest
Louis Baugh	-	None
Bill Dickson	-	None
Tristram Hilborn	-	None
Greg Munford	-	None
Nicky Talbot	-	None

Audit and Risk Committee

21 July 2020

Agenda item number 6

Update of financial position – Impact of Covid-19

Report by Chief Executive, Chief Financial Officer and Collector of Tolls

Summary

This report outlines the latest position on the Authority's navigation income and outlines the financial support from Defra in response to the COVID-19 crisis.

Recommendation

To note the improvement in the Authority's financial position and the information on the commitment by Defra to provide financial support.

1. Navigation income

- 1.1. Members have received regular updates on the impact of the COVID-19 crisis on navigation income. The latest figures as at 7 July are:
 - Private Boat income is £241,000 below the same point last year.
 - Hire Boat income is £132,000. This represents 10% of the tolls issued, totalling £1,035,000.
- 1.2. Overall, this is a reduction of 1,300 toll 'plaques' compared to the same period last year. This represents a considerable improvement over the position earlier in the year.
- 1.3. For the hire boats, 10% of the charge is due as soon as the boat is hired; 30% should be paid on or before 31 August 2020; 30% on or before 30 September 2020; and the final payment of 30% on or before 31 October 2020.
- 1.4. The prospects for the remainder of the season are unclear. The Authority has therefore resolved that officers, following consultation with the Broads Hire Boat Federation and individual companies and charities, report to the 3 September Navigation Committee and 25 September Broads Authority meetings on how the season has progressed and what approach the Authority is recommended to take towards the outstanding charges to help the companies survive the winter.

2. Financial Support from Defra

- 2.1. Defra officials have been alerted to the potential deficit in navigation income of between £1 million and £1.6 million. Officers have identified the potential for the

Authority to fund £800,000 of this potential deficit from reserves and through savings (£400,000 from Navigation Reserves and savings, and £400,000 as a one-off contribution from National Park Reserves and savings). Table 1 provides details of the savings identified. This would leave a gap of between £200,000 and £800,000, which Defra has agreed to fill.

Table 1
2020/21 savings

Description	National Park £	Navigation £	Consolidated £	Reason
Contributions to earmarked reserves	197,480	215,250	413,000	Annual contributions to earmarked reserves to be reinstated from 2021/22 budget
Belton Reach mooring and electric charging points	0	125,250	125,250	Work to be deferred to 2021/22 work programme and budget
Delayed dredging of Chet and Postwick Tip contractors	0	16,690	16,690	Chet work is part of Wherryman's Way foot path enhancement, deferred to 2021/22
Mooring signs upgrade	0	5,533	5,533	Upgrades delayed until 2021/22
Savings from vacant post within Planning	5,100	0	5,100	Post is unlikely to be filled until end of June.
Reduced costs for Visitor Services	13,473	7,130	20,603	Visitor centres to remain closed until end of June.
Reduced staff travel, conferences and consultancy	13,775	2,412	16,188	Majority of staff working from home with conferences taking place on line.
Total	229,828	372,535	602,364	n/a

3. Financial implications

- 3.1. At the time the savings were identified, it was anticipated that COVID-19 lockdown restrictions would be eased at the end of June. While some restrictions have been lifted, the majority of office-based Authority staff continue to work from home. This is likely to bring more savings the longer it continues. With the savings identified above, including the carry forwards agreed in May, and the £400,000 proposed transfer to the Navigation Reserve the National Park Reserve is forecast to be £790,837 at the end of 2020/21. This is £356,520 above the minimum. The Navigation Reserve, taking account of both the National Park contribution and additional funding from Defra, is forecast to be £320,687, slightly below the recommended level of 10% at 9.7%. Both of these figures take into account the revised pay negotiations, an increase from the budgeted 2% to 2.75%. These forecast positions will be updated as the year progresses and additional savings become clear. While the balances on the earmarked reserves are forecast to reduce by the end of 2020/21, the balances are considered sufficient to fund future capital purchases.

4. Risk Assessment

- 4.1. The gradual easing of the COVID-19 restrictions, and the financial support promised from Defra, greatly reduce the financial risks for the Authority.

5. Conclusion

- 5.1. The Authority's financial position has improved and is continuing to improve.

Author: John Packman, Emma Krelle, Bill Housden

Date of report: 06 July 2020

Audit and Risk Committee

21 July 2020

Agenda item number 7

Draft Statement of Accounts 2019/20

Report by Chief Financial Officer

Summary

This report provides an update on the Broads Authority's Statement of Accounts and its audit for the year ended 31 March 2020.

Recommendation

To be noted.

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1. Introduction

- 1.1. In the 'Response to the COVID-19 emergency and Financial Position' report to the Authority on 22 May 2020, there were draft figures for 2019/20 that provided for a consolidated surplus of £196,652. These figures were then used in the production of the draft Statement of Accounts, which were signed and published on our website on 15 May 2020.
- 1.2. The Authority's external auditors (Ernst and Young LLP) then commenced their work week commencing 18 May 2020. The outbreak of COVID-19 has meant that all of their work has been conducted remotely. A small proportion remains outstanding where items need to be physically inspected. It is hoped that once lockdown conditions have eased this can be completed in one day, possibly in September.

2. Changes to the 2019/20 Accounts

- 2.1. There have been no significant changes to this year's accounts. The format has been updated in line with our new accessibility guidance.
- 2.2. As with the 2019/20 Statement of Accounts, Table 1 below has been produced to help members understand the additional adjustments made at year end.

Table 1

Summary Income and Expenditure 2019/20

Income and Expenditure	Operations £000's	Strategic Services £000's	Chief Executive £000's	HLF & CANAPE £000's	Corporate Amounts £000's	Total £000's
Fees charges and other service income	(304)	(507)	(52)	(689)	(3,484)	(5,036)
Contribution from reserves	0	0	0	0	(319)	(319)
Government Grants	0	0	0	0	(3,414)	(3,414)
Total Income	(304)	(507)	(52)	(689)	(7,217)	(8,769)
Employee expenses	2,173	1,421	771	152	96	4,613
Other service expenses	1,938	713	643	615	51	3,960
Total Expenditure	4,111	2,134	1,414	767	147	8,573
Net Expenditure	3,807	1,627	1,362	78	(7,070)	(196)

Table 2

Summary of adjustments

Adjustments	Amount £000's
Net Expenditure	(196)
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management	1,213
Amounts included in table 1 not in the CIES	2,996
Cost of Services in the CIES	4,013

- 2.3. Items in the amounts included in the CIES not reported to management include year end adjustments for the Pension Scheme. The Accounts are adjusted to reflect the difference between the actual costs as assessed by the Actuary and the contributions paid over during the year. Further adjustments are also made for untaken staff leave, depreciation, movements on revaluations of fixed assets and donated assets (Acle Toilet Block).
- 2.4. The main adjustments in the third line, which is in the analysis above but not the Comprehensive Income and Expenditure Statement, is the removal of the DEFRA grant, interest and investment income and interest payable. These items are added back in the lines under the cost of services. Further adjustments relate to the accounting treatment of capital expenditure, reserve expenditure and finance leases.
- 2.5. Table 3 below analyses these adjustments in more detail and agrees back to the Comprehensive Income and Expenditure Statement on page 16 in the Statement of Accounts.

Table 3

Detailed adjustments

Income and Expenditure type	Service Analysis £000's	Not reported to Management £000's	Not included in the CIES £000's	Net Cost of Services £000's	Other operating expenditure, financing & investment income and Government Grant £000's	Deficit on the Provision of services £000's
Fees, charges and other service income	(4,987)	0	0	(4,987)	0	(4,987)

Income and Expenditure type	Service Analysis £000's	Not reported to Management £000's	Not included in the CIES £000's	Net Cost of Services £000's	Other operating expenditure, financing & investment income and Government Grant £000's	Deficit on the Provision of services £000's
Interest and investment income	(49)	0	49	0	(49)	(49)
Contributions from earmarked reserves	(319)	0	(179)	(498)	0	(498)
Government Grants	(3,414)	0	3,414	0	(3,468)	(3,468)
Total Income	(8,769)	0	3,284	(5,485)	(3,517)	(9,002)
Employee expenses	4,613	761	0	5,374	269	5,643
Other service expenses	3,960	0	(288)	3,672	0	3,672
Depreciation, amortisation & impairment	0	452	0	452	0	452
Interest payments	0	0	0	0	42	42
Gain on disposal of Fixed Assets	0	0	0	0	12	12
Total Operating Expenditure	8,573	1,213	(288)	9,498	323	9,821
Deficit on the Provision of Services	(196)	1,213	2,996	4,013	(3,194)	819

3. Balance Sheet

- 3.1. This year the Balance Sheet has continued to remain at a net liability position; at the end of 2019/20 it was £209,000. This is a reduction from the 2018/19 position of £2,619,000. As with previous years, the cause of this is the movement in the Pension Fund liability, which has decreased by £2,093,000. The pension fluctuations are due to the changes in financial assumptions as calculated by the actuary. The fund also seeks to maintain contributions at a consistent rate to minimise the impact on the Authority's cash flows. The Authority makes additional contributions to the fund to reduce the deficit over the next 20 years. Funding levels are monitored on an annual basis, whilst the contributions and the annual deficit payments are recalculated as part of triennial valuation. Additional information about the Pension Fund Assets and Liabilities can be found within the Statement of Accounts under Note 32.
- 3.2. The bottom section of the Balance Sheet on page 18 splits the reserves between useable and unusable reserves. The useable reserves can be used to fund future operating expenditure, while the unusable reserves are kept to manage accounting processes such as unrealised gains or acquisitions of Fixed Assets and the movements on the Pension Reserve.
- 3.3. The closing position on the National Park (General), Navigation and Earmarked reserves remain at the same levels as reported on 22 May 2020. The individual balances that make up the Earmarked reserve can be found within the Statement of Accounts under note 10, page 40. The year end balances of the reserves are:
- National Park £1,114,460;
 - Navigation £543,200;
 - Earmarked £2,118,322 of which £956,757 relates to Navigation.

4. Annual Governance Statement

- 4.1. The Accounts and Audit (England) Regulations 2015 contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved by the relevant body and must accompany the Statement of Accounts. The Annual Governance Statement was considered and approved by the Authority on 22 May 2020 and is available on the website.

5. Audit of the Statement of Accounts

- 5.1. The Authority's external auditors, Ernst & Young (EY) had originally planned to conclude the audit by the end of July 2020. Following the outbreak of COVID-19, the Accounts and Audit (Coronavirus) (Amendments) Regulations 2020 (SI 2020/404) mean the deadline for approving the Statement of Accounts has moved from 31 July to 30

November. This means that the audit will not be concluded until the November committee cycle.

- 5.2. At the time of writing, the audit had not identified any significant changes to the Statement of Accounts. Work remains outstanding on the Fixed Asset Valuations and the Pension calculations. EY will provide a verbal update at the committee on the audit's progress and any issues identified.
- 5.3. The Fixed Asset valuations conducted by NPS included wording around their being material uncertainty on the values due to the outbreak of COVID-19. This needs further investigation to determine the impact on the values included in the Statement of Accounts.
- 5.4. In addition, the audit on the Norfolk Pension Fund had not been completed. The conclusion of this audit may result in some variations to the Pension figures contained within the Authority's Statement of Accounts. This will be confirmed by a further report from the actuary.

6. Financial implications

- 6.1. The Statement of Accounts for 2019/20 shows revenue reserves of £1,687,660 (national park (general) reserves £1,144,460, navigation reserves £543,200) that are considered to be adequate. The navigation reserve at the end of 2019/20 stands at 16.3% of net expenditure. This is higher than the Financial Strategy forecast for the end of 2019/20; however, the carry forwards of £111,981 (national park £23,490, navigation £88,491) approved at the May meeting will reduce this. At the time of writing, the hire boat industry is waiting to restart weekly hire bookings from 4 July. The impact of the loss of income from private and hire tolls has been mitigated through savings and a commitment of financial support from DEFRA. The outturn figures for 2019/20 and the 2020/21 level of tolls received will be assessed for their impact on the overall level of reserves, and will be taken into account in future budgeting proposals and when making decisions about income and expenditure in 2020/21.

Author: Emma Krelle

Date of report: 26 June 2020

Appendix 1 – Draft Statement of Accounts 2019/20

Broads Authority

Draft Statement of Accounts 2019/20

Presented to Parliament pursuant to Section 20 (2) of the Norfolk and Suffolk Broads Act 1988

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Narrative report

Introduction

The purpose of the Narrative Report is to provide information on the Authority, its main objectives and strategies and the principal risks that it faces. It also provides commentary on how the Authority has used its resources to achieve its outcomes in line with its objectives and strategies.

About the Broads Authority

The Broads Authority was established by the Norfolk and Suffolk Broads Act 1988.

Its duties, as subsequently amended by the Natural Environment and Rural Communities Act 2006, are to manage the Broads for the purpose of:

- conserving and enhancing the natural beauty, wildlife and cultural heritage of the Broads;
- promoting opportunities for the understanding and enjoyment of the special qualities of the Broads by the public; and
- protecting the interests of navigation.

This brought the first two purposes into line with those of the English National Park Authorities, as recommended in the Department for Environment, Food and Rural Affairs (Defra) report 'Review of English Park Authorities' published in July 2002.

In discharging its function, the Authority should have regard to:

- the national importance of the Broads as an area of natural beauty and one which affords opportunities for open air recreation;
- the desirability of protecting the natural resources of the Broads from damage; and
- the needs of agriculture and forestry and the economic and social interests of those who live and work in the Broads.

In respect of its navigation area the Authority is required to:

- maintain the navigation area for the purposes of navigation to such a standard as appears to it to be reasonably required; and
- take such steps to improve and develop it as it thinks fit.

The Broads Authority Act 2009 amended the 1988 Act and is primarily concerned with augmenting the Authority's powers to ensure safety on the Broads, including the application of the Boat Safety Scheme and compulsory third-party insurance. It also made provision for the transfer of responsibility for the navigation in Breydon Water to the Authority which was implemented in 2012. The 2009 Act removed the need for the Authority to maintain a separate navigation account and contained provisions which require the Authority to ensure

that, taking one year with another, expenditure on navigation matters is equal to navigation income.

The Broads Plan is a key management plan for the Broads. It sets out a long-term vision for the benefit of the natural and cultural environment, local communities and visitors. Although the Authority is responsible for its production it is a plan for the whole of the Broads, and its success very much depends on a common vision, strong partnership working and the best use of shared resources. The current plan covers the period 2017-22 and is publicly available via the website. A six-monthly newsletter is produced to provide updates and can also be found in the link below.

<https://www.broads-authority.gov.uk/about-us/how-we-work/strategy>

The Authority's Strategic Priorities are set annually by the members in line with objectives in the Broads Plan. Progress against the Strategic Priorities is reported regularly to the Authority and details of 2019/20 can be found in the link below:

https://www.broads-authority.gov.uk/data/assets/pdf_file/0027/263808/Strategic_Priorities_ba31-01-20.pdf

All decisions are supported by the Authority's core values. These are enduring beliefs or ideals about what is good or desirable and what is not. They are:

- Sustainable - we take the long-term view, are passionate about our environment and its ability to provide for a vibrant local economy and the well-being of local people;
- Exemplary - we strive for excellence in all we do. We are ambitious, innovative and lead by example;
- Commitment - we are committed to making a difference to the Broads for the benefit of all, and will have the courage of our convictions when faced with difficult issues;
- Caring - we are considerate and respectful of each other, working together to provide the best service we can; and
- Open and Honest - we are open, honest and inclusive in our communication and in making decisions. We are approachable and available, reaching out to all groups.

The Authority is funded from two major sources; National Park Grant from Defra and Navigation Toll Income. These are approximately equal to each other and are used to fund the activities (including staffing) across the organisation.

Governance

The Annual Governance Statement provides details of progress against the current year and provides the new financial year action plan. The draft is due to be considered by the Authority on 22 May and is available via the link below:

https://www.broads-authority.gov.uk/data/assets/pdf_file/0033/295890/Annual-Governance-Statement-2019_2020-and-Code-of-Corporate-Governance-2020.pdf

In 2018 the Government commissioned a review of National Parks and Areas of Outstanding Natural Beauty (AONBs) looking at coverage of designations, how designated areas deliver their responsibilities, how designated areas are financed, and whether there is scope for expansion. The review team, led by Julian Glover, visited the Broads in November 2018. The team's report was published in September 2019. The Authority received a paper at its January committee identifying some short term priorities. A link to the committee report can be found below that also contains a link to the final report.

https://www.broads-authority.gov.uk/data/assets/pdf_file/0026/263807/Landscape-Review-Response-with-Appendix-Glover-report-Recommendations-31-01-20.pdf

Operational model

The Authority consists of the Chief Executive team and two Directorates; Operations and Strategic Services. The total number of staff employed by the Authority gives a head count of 150 or 132.5 Full Time Equivalents (FTE) as at 31 March 2020. This is split 74 (70.1 FTE) Operations, 51 (42.4 FTE) Strategic Services and 25 (20 FTE) Chief Executive. Due to the seasonal nature of the Authority's activities the levels of staff can vary throughout the year and the year-end position may vary depending on when Easter falls. During 2019/20 the Authority carried out a mini restructure which led to some departments being transferred within Directorates.

The Chief Executive is supported by the Governance Team who service the Authority's various committees; and the Chief Financial Officer who is responsible for the Asset Management, IT, Collection of Tolls, Finance and Insurance team.

The Operations Directorate consists of; the Construction, Maintenance and Environment team who carry out the practical work on the Broads, from dredging to the maintenance and refurbishment of moorings and land based sites and project managing the Heritage Lottery Fund (HLF) project Water, Mills and Marshes; the Ranger team who patrol the waterways enforcing our byelaws to small scale practical works and Safety Management that has health and safety responsibility for all staff and visitor safety on and near the water.

The Strategic Services Directorate consists of; Planning - responsible for all planning applications, enforcement and the Local Plan within the Authority's executive area Communications - responsible for all publications, events and visitor services; HR - supporting all of the Authority's employees; other strategic priorities; the management of the European Regional Development Fund (ERDF) INTERREG project 'Creating A New Approach to Peatland Ecosystems' (CANAPE) and Volunteer Services which support volunteering opportunities across all areas of the Authority.

The Authority's income is supplemented by income from planning fees, contributions from landowners towards fen management and from the Rural Payments Agency, Visitor Centres and Yacht Station sales and external funding such as HLF and ERDF.

Risks

Whilst the Authority has some degree of confidence over the level of its National Park Grant funding for 2020/21, uncertainty remains about future years' settlements and their duration. The impact of COVID-19 on the income it receives from its toll payers could be considerable depending on how long lockdown extends for both Private and Hire Craft Tolls. Differing scenarios have been modelled and support is being sought from DEFRA to help with any potential shortfall. Cuts to National Park Grant in years 2010/11 to 2015/16 has meant the Authority has already restructured from four Directorates to two. If there were future reductions to the National Park grant beyond 2021/22 it would mean difficult decisions would need to be made to determine future services. This uncertainty is further emphasised by the outcome of the Comprehensive Spending Review, which was delayed for an additional year in 2019. The current level of National Park reserves means that such impact would be cushioned in the short term until the longer vision of services is determined; however, this is not sustainable in the longer term.

Risks are reviewed on a regular basis with actions being taken to mitigate any possible impacts. Reports to the Authority highlight risks on potential new areas of activity. The Audit and Risk Committee receive detailed reports on the current risks with details of the individual risks, risk owner and actions. A link to the latest report can be found below.

https://www.broads-authority.gov.uk/_data/assets/pdf_file/0022/263812/Risk_Management_policy_and_register_I3FZ3W.pdf-ba310120.pdf

Review of Corporate Risk Register

Following a recommendation from internal audit's Corporate Governance and Risk Management review the risk register and policy was reviewed and updated during 2019/20. The risk register is now split between the Corporate Risk register, focusing on risks that are strategic and Directorates, focusing on operational day to day risk. The Corporate Risk register continues to be reviewed bi-annually by the Audit and Risk committee with the option for significant risks being reported to the Broads Authority.

Opportunities

External funding opportunities continue to be investigated and supported by National Parks Partnership LLP (NPP). NPP continues to promote corporate partnerships for the UK National Parks with the aim to make a significant, sustainable and discernible contribution to the improved quality of UK National Parks and the benefits they offer for generations to come. There has already been a high level of success including funding from; the HLF for Water, Mills and Marshes, ERDF for CANAPE, Tesco for Broadland Catchment Partnership, Forest Holidays who are partnering on projects that will enable young people to experience and explore the best of the UK countryside and Columbia providing clothing to all front-line staff for five years from 2017/18.

The UK National Parks also continue to investigate efficiencies through joint procurement and services and also to create resilience amongst the Parks. 2019/20 saw the creation of

the UK National Parks Communication Team hosted by the Authority. This service is jointly funded by all 15 UK National Parks and seeks to promote a shared sense of identity.

Prior to the outbreak of COVID-19 opportunities were being explored for a Visitor Services presence at the Norwich Forum and Lowestoft Train station. These were to help with the loss of the Visitor Centre at Whitlingham Country Park due to the Trust wishing to take back responsibility for the Park. Whilst these new locations are currently on hold it is hoped these will be progressed once restrictions are lifted.

Strategy and resource allocation

The current Financial Strategy was drawn up having regard to the Authority's grant settlement and the priorities in the Broads Plan. It sets out a prudent strategy for managing the limited resources available in order to build on the work underway across the organisation and to continue to deliver the Authority's key priorities over the next three years. The focus in developing the Financial Strategy has been to deliver the maximum possible efficiencies and savings in order to minimise the impact on front-line activity. The Authority recognises that without its employees continued commitment and hard work this would not be possible.

In developing the Financial Strategy, a number of assumptions have been made in respect of National Park Grant allocations, future boat numbers and the level of staff pay inflation. The Strategy follows the general principle that the Authority should seek to maintain the general (National Park) reserve at a minimum of £100,000 plus 10% of net expenditure, and the navigation reserves at a minimum of 10% of net expenditure. It also expects that General and Navigation income and expenditure should be broadly in balance across the life of the Financial Strategy.

On 20 November 2007, the Authority took out a £290,000 loan from the Public Works Loan Board. The repayment period of the loan is 20 years at a fixed interest rate of 4.82%, repayable by equal instalments of principal. The Public Works Loan Board has advised that the fair value of the debt as at 31 March 2020 is £129,668.

The purpose of this loan was to finance the purchase of the Dockyard Operation from May Gurney to enable the Authority to continue to dredge the Broads in an economical and efficient manner.

Performance

Performance is assessed against progress made towards the Broads Plan, Strategic Priorities and the Budget with regular updates being provided to the Authority.

General (National Park) Income and Expenditure

The Authority received National Park Grant of £3,414k from Defra (£3,356k in 2018/19). In addition to this, the income received from external grant support, sales, fees, charges and interest totalled £1,315k (£1,064k in 2018/19). Total income for 2019/20 was £4,729k (£4,420k in 2018/19).

The Authority set a budget for 2019/20 with a forecast deficit of £78k (£71k deficit for 2018/19). The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for the year 2019/20 indicated an anticipated deficit of £26k. The actual outturn saw a surplus of £61k (a favourable variance of £87k). The Authority has a policy for carry forward requests in respect of underspends. This year there has been an increased number of requests due to the COVID-19 outbreak. These are due to be considered by the Authority on 22 May for £23k (£9k for 2018/19) and if approved will be added to the 2020/21 budget.

Navigation Income and Expenditure

Income from tolls was £3,375k (£3,336k in 2018/19), other income received for the year from external grant support, yacht stations charges, sales of tide tables, works licences and other miscellaneous services was £322k, (£263k in 2018/19) and interest was £25k (£18k in 2018/19). Total income for 2019/20 was £3,722k (£3,617k in 2018/19).

The Authority set a budget with a forecast deficit of £32k for 2019/20 (deficit of £3k for 2018/19). The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for 2019/20, which took account of approved budget changes, indicated an anticipated surplus of £25k. The actual outturn saw a surplus of £136k (a favourable variance of £111k). The Authority has a policy for carry forward requests in respect of underspends. This year there has been an increased number of requests due to the COVID-19 outbreak. These are due to be considered by the Authority on 22 May for £88k (£6k for 2018/19) and if approved will be added to the 2020/21 budget.

The Statement of Accounts consolidates these results and the combined figures are found in the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure Funding Analysis (EFA). The CIES can be found on page 16 and the EFA on page 15.

Outlook

2020/21 continues to focus on the successful delivery of our two external funded projects from the HLF and ERDF. Although both projects are claimed in arrears the impact and the Authority's cash flows is minimal. However, there is some uncertainty on future exchange rates which are difficult to forecast for the ERDF grant which is contracted in Euro. The use of a prudent exchange rate during the application phase should minimise any future impact of Brexit. The Authority is also keen to support the Hire Boat Industry, where possible, following the outbreak of COVID-19. Normally, the Authority receives a large proportion of its toll income prior to the start of the financial year but this year there has been challenges to this whilst boat owners are unable to use their boats. To assist with cash flow the National Park Grant, which is normally received quarterly, has been paid 35% in advance. The budget was based on all existing boat owners paying their tolls, with Navigation funding originally projecting a deficit of £134k in 2020/21 (after taking into account carry forward requests), with reserves at 11.2% of net expenditure at the end of the year. For General (National Park) funding there is a projected deficit of £132k (after taking into account carry

forwards requests) in 2020/21, with reserves at 27.5% of net expenditure. The Authority will be revising its budget in due course to take into account loss of Navigation income.

The Strategy also covers capital expenditure with the majority being funded from Earmarked Reserves and the rest from National Park Grant and Navigation income.

There are a significant number of variables – and some unknown quantities, such as future inflation – which could impact on these figures. The Financial Strategy will therefore be reviewed and updated by the Authority, having regard to any changes in circumstances and the annual outturn figures, at its meeting in January 2021. The annual toll increase for 2020/21 was set at 1% for unpowered vessels and 2.9% for powered. When setting the future strategy, the Authority will continue to consult with the Navigation Committee and other stakeholders. 2020/21 continues to focus on the development of partnership work. This incorporates projects at a number of sites; including Norwich Forum and Lowestoft Railway Station. Work will also continue with partners to help shape the future of land management schemes post Brexit. Climate change remains a threat to the Authority. Broadland Futures Initiative in collaboration with the Environment Agency will look at engaging with stakeholders.

Changes to the 2019/20 Accounts

There have been no key changes to the Statement of Accounts in 2019/20.

The accounting statements

The Broads Authority's accounts for the year 2019/20 are set out on pages 12 to 79. They consist of:

Statement of Responsibilities for the Statement of Accounts

Statement of Corporate Governance

Expenditure and Funding Analysis – This statement shows how annual expenditure is used and funded from resources (government grants and rents) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is a note to the Financial Statements, however its position next to the Comprehensive Income and Expenditure Statement is to provide a link from the figures reported under Performance within the Narrative Report.

Comprehensive Income & Expenditure Statement – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Movement in Reserves Statement – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves and 'other' reserves. The 'surplus / deficit on the provision of services' line shows the true economic

cost of providing the Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. The 'net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

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

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

These accounts are supported by the Statement of Accounting Policies in Note 1, which follows the Accounting Statements, and various notes to the accounts.

The information included in these accounts incorporates spending relating to the Broads Navigation. The Navigation income and expenditure is separately accounted for in the records to ensure the proper control of income from toll payers and to ensure it is spent primarily to benefit the users of the navigation. Navigation income and expenditure is shown in full at note 36 on page 79.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- a) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- b) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c) Approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Broads Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Emma Krelle (Chief Financial Officer)

Certificate of Committee Resolution

I confirm that these accounts were approved by The Broads Authority at its meeting held (insert date).

Signed on behalf of The Broads Authority:

(Chair of meeting approving the accounts)

date

Independent Auditor's Report to the Members of the Broads Authority

Expenditure and Funding Analysis

This statement shows how funding available to the Authority for the year has been used in providing services in accordance with generally accepted accounting practices.

2018/19 Net Expenditure chargeable to the General and Navigation fund balances £000	2018/19 Adjustments between the funding and accounting basis ¹ £000	2018/19 Net expenditure in the comprehensive income and expenditure statement £000	Function	2019/20 Net expenditure chargeable to the General and navigation fund balances £000	2019/20 adjustments between the funding and accounting basis £000	2019/20 Net expenditure in the comprehensive income and expenditure statement £000
1,079	12	1,091	Operations	1,257	207	1,464
1,608	123	1,731	Strategic Services	1,286	210	1,496
592	30	622	Chief Executive	720	63	783
47	109	156	Corporate Amounts	57	0	57
(222)	424	202	Broads Navigation Account	(232)	445	213
3,104	698	3,802	Net cost of services (subtotal)	3,088	925	4,013
(3,494)	215	(3,279)	Other income and expenditure	(3,463)	269	(3,194)
(390)	913	523	Surplus or (Deficit)	(375)	1,194	819
(1,426)			Opening general and navigation fund balance	(1,490)		
(390)			Less/plus surplus or (deficit) on general and navigation balance in year	(375)		
326			Transfer (to)/from earmarked reserves	207		
(1,490)			Closing general and navigation fund balance at 31 March	(1,658)		

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 under Performance within the Narrative Report to the Comprehensive Income and Expenditure Statement.

¹Further details on the adjustments between Funding and Accounting Basis can be found in Note 7.

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 under Performance within the Narrative Report to the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2018/19 Gross expenditure £000	2018/19 Income £000	2018/19 Net expenditure/ (income) £000	Description	Note	2019/20 Gross expenditure £000	2019/20 Income £000	2019/20 Net expenditure/ (income) £000
1,317	(226)	1,091	Operations		2,187	(723)	1,464
2,575	(845)	1,730	Strategic Services		2,026	(530)	1,496
644	(22)	622	Chief Executive		821	(38)	783
156	0	156	Corporate Items		57	0	57
3,850	(3,647)	203	Broads Navigation Account	36	3,905	(3,692)	213
8,542	(4,740)	3,802	Cost of services (subtotal)		8,996	(4,983)	4,013
		(6)	(Gains)/Losses on the disposal of non-current assets				12
		83	Financing and investment income and expenditure	11			262
		(3,356)	DEFRA National Park grant income				(3,414)
		-	Donated Asset	27			(54)
		523	(Surplus) or deficit on provision of services (subtotal)				819
		(73)	(Surplus) or deficit on revaluation of fixed assets				(118)
		2,253	Actuarial (gains)/losses on pension assets/liabilities				(3,111)
		2,180	Other comprehensive income and expenditure (subtotal)				(3,229)
		2,703	Total comprehensive income and expenditure				(2,410)

Movement in reserves statement

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

2018/19	General fund and navigation fund balance £000	Capital receipts reserve £000	Earmarked reserves £000	Total useable reserves £000	Unusable reserves £000	Total Authority reserves £000
Balance at 31 March 2018	1,426	0	1,585	3,011	(2,926)	85
Total comprehensive income and expenditure	(523)	0	0	(523)	(2,181)	(2,704)
Adjustments between accounting basis and finding basis under regulations (Note 9)	913	405	0	1,318	(1,318)	0
Transfers to or from Earmarked Reserves (Note 10)	(326)	0	326	0	0	0
Increase or (decrease) in 2018/19 (B) (subtotal)	64	405	326	795	(3,499)	(2,704)
Balance at 31 March 2019 (=A+B)	1,490	405	1,911	3,806	(6,425)	(2,619)

2019/20	General fund and navigation fund balance £000	Capital receipts reserve £000	Earmarked reserves £000	Total useable reserves £000	Useable reserves £000	Total Authority reserves £000
Balance at 31 March 2019 (A)	1,490	405	1,911	3,806	(6,425)	(2,619)
Total comprehensive income and expenditure	(819)	0	0	(819)	3,229	2,410
Adjustments between accounting basis and funding basis under regulations (Note 9)	1,194	0	0	1,194	(1,194)	0
Transfers to or from Earmarked reserves (Note 10)	(207)	0	207	0	0	0
Increase or (decrease) in 2019/20 (B) (subtotal)	168	0	207	375	2,035	2,410
Balance at 31 March 2020 (=A+B)	1,658	405	2,118	4,181	(4,390)	(209)

Balance sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

As at 31 March 2019 £000	Category	Note	As at 31 March 20 £000
4,709	Property, plant & equipment	12	4,592
28	Intangible Assets	0	18
4,737	Long term assets (subtotal)		4,610
3,508	Short term investments		4,010
88	Inventories	14	114
808	Short term debtors	15	2,250
1,198	Cash and cash equivalents	16	681
5,602	Current assets (subtotal)		7,055
(15)	Short term borrowing		(15)
(1,747)	Short term creditors	17	(2,782)
(47)	Provisions	18	(107)
(1,809)	Current liabilities (subtotal)		(2,904)
(109)	Long term borrowing		(94)
(11,040)	Other long term liabilities	30, 33	(8,876)
(11,149)	Long term liabilities (subtotal)		(8,970)
(2,619)	Net assets (liabilities)		(209)
-	Useable reserves	-	-
1,064	General account fund balance		1,115
426	Navigation account fund balance		543
405	Capital receipts reserve		405
1,911	Earmarked reserves	10	2,118
-	Unusable reserves	20	-
1,950	Revaluation reserve		1,771
2,484	Capital adjustment account		2,618
(10,812)	Pension reserve		(8,719)
(47)	Accumulated absence reserve		(60)
(2,619)	Total reserves		(209)

Emma Krelle (Chief Financial Officer)

15 May 2020

Cash Flow statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2018/19 £000	Revenue activities	Note	2019/20 £000
(523)	Net surplus or (deficit) on the provision of services		(819)
1,395	Adjustments to net surplus or deficit on the provision of services for non-cash movements		1,054
(11)	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities		(4)
861	Net cash flows from operating activities (subtotal)	21	231
(1,287)	Investing activities	22	(676)
(70)	Financing activities	23	(72)
(496)	Net increase or (decrease) in cash and cash equivalents (subtotal)		(517)
1,694	Cash and cash equivalents at the beginning of the reporting period		1,198
1,198	Cash and cash equivalents at the end of the reporting period	16	681

Notes to the Statement of Accounts

1. Accounting policies

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require 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 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including 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 amounts is recorded in the Balance Sheet. 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.

iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 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.

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

iv. 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 Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v. Prior period adjustments, changes in accounting policies and estimates and errors

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

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

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

vi. 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 fixed 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; and
- amortisation of intangible fixed assets attributable to the service.

vii. 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in

lieu) 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, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for 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 Broads Authority are members of Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), 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 pension liabilities with investment assets.

viii. 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.

ix. Fair value measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as borrowings 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 Authority 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 Authority 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 Authority 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 Authority's financial statements are categorised within the fair value hierarchy, as follows:

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

x. Financial instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest 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.

Long term loans are shown in the balance sheet as the capital element outstanding at the year end, split between amounts due within the current year and amounts due outside the year. Any interest paid is taken directly to the income and expenditure account. The 'fair value' of any loans is disclosed in the notes to the accounts with accompanying explanations.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

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

Financial assets measured at amortised cost

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

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 CIES.

Expected Credit Loss Model

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

The Authority has not made any material loans.

xi. Foreign currency translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

xii. Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions 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-ringfenced 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.

xiii. Intangible assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being

available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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.

xiv. Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the FIFO (first-in, first-out) costing formula.

xv. 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 Authority 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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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.

Operating leases

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

The Authority as lessor

Operating leases

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

xvi. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis limit of £5,000 is used to recognise fixed assets.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- 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 Authority 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 Authority). 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 Authority.

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.
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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. Exceptionally, gains might be 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.

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 and other buildings – straight-line allocation between 5 and 50 years, as advised by a professional valuer;
- vehicles, plant, furniture and equipment – straight-line allocation between 5 and 10 years, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation between 20 and 25 years, as advised by a suitably qualified officer.

Where an asset has been acquired under a finance lease arrangement, and the lease term is shorter than the asset's estimated useful life, the asset is depreciated over the lease term.

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

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

Receipts below £5,000 arising from the sale of fixed assets are allocated to revenue. The Broads Authority has a policy of not depreciating assets in the first year of ownership.

Disposals and non-current assets

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The 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 Authority's underlying need to borrow (the capital financing requirement) (England and Wales). 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 the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvii. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 Authority 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 Authority settles the obligation.

Contingent liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note (note 33) to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xviii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

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

xix. Operating segments

In accordance with IFRS 8 and the Code, the Broads Authority keeps the general fund and navigation fund separately. Under the Code, the Authority has prepared a single income and expenditure account for 2019/20, however in note 36 to the accounts the navigation income and expenditure is shown.

xx. Allocation of costs

Salary, vehicle and other revenue costs are reallocated within the general expenditure to major projects that are grant aided partially or wholly by sources other than Defra grant. The method of allocation is kept as simple as possible and is either made on usage, such as number of hours spent on a project, or estimated on a percentage basis.

Recharges between the general and navigation funds are based on staff time and usage.

xxi. Revenue expenditure funded from capital under statute

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.

xxii. 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 yet been adopted

The 2019/20 Code of Practice on Local Authority Accounting adopts the following amendments to International Accounting Standards and International Financial Reporting Standards, which will be required from 1 April 2020:

- Although delayed by a further year IFRS 16 Leases will be a significant change in Local Authority Accounting. Its introduction will remove the distinction between operating and finance leases for lessees. The standard will require assets to be recognised on the balance sheet as well as the liability for outstanding lease

payments. This will apply where the right to use the asset exceeds 12 months and it is not considered low value. This will be a significant change to the Authority as it holds a number of operating leases relating to land that is used for moorings.

3. Critical judgements in applying accounting policies

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

- Despite the one year settlement from DEFRA for 2020/21 there remains a degree of uncertainty about the longer term levels of funding for National Parks. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is a member of Whitlingham Charitable Trust of which there are four members. The Authority can appoint up to four trustees and there shall be no more than nine in total. The Trust is limited by guarantee in which each member agrees to contribute £1 in the event of it being wound up. Whitlingham Charitable Trust was established to manage and maintain Whitlingham Country Park for public benefit. Whilst the Authority did have significant influence in the management of the Trust, it does not have a controlling influence, and it does not have any share equity, or any share in profits or losses. It is considered therefore that International Accounting Standard (IAS) 28 – Accounting for Investments in Associates - does not apply as the charity has no formal equity structure, and the Authority does not derive any financial benefit from the Trust.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Property plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge would increase

Item	Uncertainties	Effect if actual results differ from assumptions
	climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	by £68,000 for every year that useful lives had to be reduced.
Property	The assets valued during 2019/20 were undertaken prior to the outbreak of COVID-19. The pandemic is likely to adversely impact the valuations and the property consultants valuations have stated that there is 'material valuation uncertainty'.	If valuations of property reduce by 1% this is estimated to reduced the value of land and buildings by approximately £30,000.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £3,358,000. Further details are set out in the sensitivity analysis in note 32.

5. Material items of income and expenditure

There are no material items of expense in relation to 2019/20 which are not disclosed elsewhere within the Statement of Accounts.

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 15 May 2020. Events that occur after this date are not reflected in the financial statements or notes.

7. Note to the expenditure and funding analysis

Adjustments from General and Navigation Fund to arrive at the Comprehensive Income and Expenditure Statement Amount

2018/19 Adjustments for capital purposes (Note 1) £000	2018/19 Net change for the pensions adjustments (Note 2) £000	2018/19 Other differences (Note 3) £000	2018/19 Total adjustments £000	Description	2019/20 Adjustments for capital purposes (Note 1) £000	2019/20 Net change for the pensions adjustments (Note 2) £000	2019/20 Other differences (Note 3) £000	2019/20 Total adjustments £000
(96)	110	(2)	12	Operations	38	162	7	207
(61)	181	3	123	Strategic Services	24	191	(5)	210
0	32	(2)	30	Chief Executive	(5)	65	3	63
0	109	0	109	Corporate Items	0	0	0	0
85	341	(2)	424	Broads Navigation Account	107	331	7	445
(72)	773	(3)	698	Net Cost of Services (subtotal)	164	749	12	925
0	215	0	215	Other income and expenditure from the Expenditure and Funding analysis	0	269	0	269
(72)	988	(3)	913	Difference between General and Navigation Fund surplus or deficit and comprehensive Income and Expenditure Statement Surplus of Deficit on the Provision of Services	164	1,018	12	1,194

Note

1. Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
 - Other operating expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets.
 - Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
2. Net change for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
 - For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.
3. Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute including accumulated absences.

Income received on a segmental basis is analysed below:

Service	2018/19 Income from services (£000)	2019/20 Income from services (£000)
Operations	(226)	(723)
Strategic Services	(845)	(530)
Chief Executive	(22)	(38)
Corporate items	0	0
Specialist ringfenced account (navigation)	(3,647)	(3,692)
Total income analysed on a segmental basis	(4,740)	(4,983)

8a. Expenditure and income analysed by nature

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

Expenditure	2018/19 £000	2019/20 £000
Employee benefits expenses	5,454	5,694
Other services expenses	3,412	3,621
Depreciation, amortisation, impairment	395	452
Interest payments	35	42
Expenditure in relation to investment properties	(130)	0
Loss/(gain) on the disposal of assets	(6)	12
Total expenditure	9,160	9,821

Income	2018/19 £000	2019/20 £000
Fees, charges and other service income	(4,751)	(4,988)
Interest and investment income	(37)	(49)
Contributions from reserves	(493)	(497)
Government grants and contributions	(3,356)	(3,468)
Total income (subtotal)	(8,637)	(9,002)
Surplus or deficit on the provision of services	523	819

In addition to the amounts reported within the Comprehensive Income and Expenditure Statement the breakdown above also includes income and expenditure funded from the earmarked reserves.

8b. Revenue from contracts with service recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

Contract Revenue	2018/19 £000	2019/20 £000
Revenue from contracts with service recipients	270	324
Total included in comprehensive income and expenditure	270	324

Amounts included in the Balance Sheet for contracts with service recipients

Outstanding Revenue	2018/19 £000	2019/20 £000
Receivables, which are included in debtors (Note 15)	25	14
Total included in net assets	25	14

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

2018/19 General fund and navigation fund £000	2018/19 Capital receipts reserve £000	2018/19 Movement in unusable reserves £000	Adjustments	2019/20 General fund and navigation fund £000	2019/20 Capital receipts reserve £000	2019/20 Movement in unusable reserves £000
(130)	130	0	Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement: Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	0	0	0
0	0	0	Donated Asset	(54)	0	54
372	0	(372)	Charges for depreciation and impairment of non-current assets	392	0	(392)
14	0	(14)	Revaluation losses on property, plant and equipment	51	0	(51)
9	0	(9)	Amortisation of intangible assets	9	0	(9)
5	0	(5)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16	0	(16)
(70)	0	70	Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	(72)	0	72

2018/19 General fund and navigation fund £000	2018/19 Capital receipts reserve £000	2018/19 Movement in unusable reserves £000	Adjustments	2019/20 General fund and navigation fund £000	2019/20 Capital receipts reserve £000	2019/20 Movement in unusable reserves £000
			Statutory provision for the financing of capital investment			
0	0	0	Derecognition of finance lease liability	(8)	0	8
(273)	0	273	Capital expenditure charged against the General Fund	(170)	0	170
0	275	(275)	Adjustments involving the Capital Receipts Reserve: Cash receipts from disposal of investment property	0	0	0
1,699	0	(1,699)	Adjustments involving the Pensions Reserve: Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 32)	1,762	0	(1,762)
(711)	0	711	Employer's pension contributions and direct payments to pensioners payable in the year	(744)	0	744
(2)	0	2	Adjustments involving the accumulated Absences Account: Adjustments in relation to short-term compensated absences	12	0	(12)
0	0	0	Adjustments involving the Capital Grant Unapplied Account: Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0

2018/19 General fund and navigation fund £000	2018/19 Capital receipts reserve £000	2018/19 Movement in unusable reserves £000	Adjustments	2019/20 General fund and navigation fund £000	2019/20 Capital receipts reserve £000	2019/20 Movement in unusable reserves £000
913	405	(1,318)	Total adjustments	1,194	0	(1,194)

10. Transfers to/from earmarked reserves

This note presents details of the amounts set aside in earmarked reserves to provide financing for future expenditure and the amounts posted back from earmarked reserves to meet expenditure in 2019/20. A description of each of the earmarked reserves follows in the table below.

Reserve Name	Balance at 31 March 2018 £000	Transfers in 2018/19 £000	Transfers out 2018/19 £000	Balance at 31 March 2019 £000	Transfers in 2019/20 £000	Transfers out 2019/20 £000	Balance at 31 March 2020 £000
Property	(479)	(95)	4	(570)	(93)	0	(663)
Plant, vessels and equipment	(202)	(176)	103	(275)	(173)	99	(349)
Premises	(149)	(83)	36	(196)	(83)	32	(247)
Planning delivery grant	(227)	(42)	0	(269)	(29)	78	(220)
Upper Thurne Enhancement Scheme	(100)	(23)	3	(120)	(26)	0	(146)
Section 106 Agreements	(102)	(1)	0	(103)	(6)	65	(44)
Heritage Lottery Fund	(114)	(523)	547	(90)	(522)	600	(12)
Catchment Partnership	(100)	(24)	34	(90)	(31)	46	(75)
CANAPE	(72)	(264)	149	(187)	(232)	107	(312)

Reserve Name	Balance at 31 March 2018 £000	Transfers in 2018/19 £000	Transfers out 2018/19 £000	Balance at 31 March 2019 £000	Transfers in 2019/20 £000	Transfers out 2019/20 £000	Balance at 31 March 2020 £000
Computer Software	(40)	0	29	(11)	(11)	0	(22)
UK National Park Communications	0	0	0	0	(28)	0	(28)
Total	(1,585)	(1,231)	905	(1,911)	(1,234)	1,027	(2,118)

Included in the closing balance of £2,118k, £1,011k relates to Navigation funded reserves.

Earmarked reserves

Property

A reserve account set up to provide for the ongoing maintenance of the Authority's major assets, moorings and operational property assets, including Mutford Lock.

Plant, Vessels and Equipment

Reserve established to provide for the maintenance and replacement of the Authority's plant and equipment, including launches, construction and maintenance vessels and equipment, pool vehicles and fen management equipment.

Premises

A reserve account established to provide for the maintenance and development of the Authority's Dockyard facility and other buildings throughout the Broads.

Planning Delivery Grant

Balance of Defra and OPDM grants awarded to deliver the planning service.

Upper Thurne Enhancement Scheme

Reserve established to hold the balance of ring-fenced Environment Agency funding for enhancement works in the Upper Thurne.

Section 106 Agreements

A reserve account established to hold ring-fenced developers' contributions relating to planning application conditions.

Heritage Lottery Fund

A reserve account established for the Landscape Partnership project funded by the Heritage Lottery Fund.

Catchment Partnership

A reserve account set up to hold ring-fenced income from various partners within the Catchment Partnership.

CANAPE

A reserve account set up for European grant part funded project relating to the Creating A New Approach to Peatland Ecosystems.

Computer Software

A reserve account set up to provide for the ongoing replacement of Authority's Computer Software.

UK National Parks Communications

A reserve account set up to hold ring-fenced income from the 15 National Parks to fund the UK Communications Team.

11. Financing and investment income and expenditure

2018/19 £000	Expenditure and income detail	2019/20 £000
35	Interest payable and similar charges	42
215	Net interest on the net defined benefit liability (asset)	269
(37)	Interest receivable and similar income	(49)
(130)	Income and expenditure in relation to investment properties and changes in their fair value including disposal	0
83	Total	262

12. Property, plant and equipment

Movements on balances 2018/19

Cost or valuation	Land and buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community assets £000	Assets under construction £000	Total property, plant and equipment £000
At 1 April 2018	2,885	3,319	302	323	22	6,851
Additions	0	235	0	0	38	273
Revaluation increases/(decreased) recognised in the Revaluation reserve	12	(53)	0	0	0	(41)

Cost or valuation	Land and buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community assets £000	Assets under construction £000	Total property, plant and equipment £000
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4)	(11)	0	0	0	(15)
Derecognition-disposals	0	(31)	0	0	0	(31)
At 31 March 2019	2,893	3,459	302	323	60	7,037

Accumulated depreciation and impairment	Land and Buildings £000	Vehicles Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2018	23	1,851	223	0	0	2,097
Depreciation charge	32	325	15	0	0	372
Derecognition – disposals	0	(27)	0	0	0	(27)
Depreciation written out to the Revaluation Reserve	(3)	(111)	0	0	0	(114)
At 31 March 2019	52	2,038	238	0	0	2,328

Net Book Value	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment
At 31 March 2019	2,841	1,421	64	323	60	4,709
At 31 March 2018	2,862	1,468	79	323	22	4,754

Movements on balances 2019/20

Cost or valuation	Land and buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community assets £000	Assets under construction £000	Total property, plant and equipment £000
At 1 April 2019	2,893	3,459	302	323	60	7,037
Additions	0	125	13	0	32	170
Donated Assets	54	0	0	0	0	54
Revaluation increases/(decreased) recognised in the Revaluation reserve	112	(442)	0	0	0	(330)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(62)	(5)	0	0	0	(67)
Derecognition-disposals	0	(38)	0	0	0	(38)
At 31 March 2020	2,997	3,099	315	323	92	6,826

Accumulated depreciation and impairment	Land and Buildings £000	Vehicles Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
At 1 April 2019	52	2,038	238	0	0	2,328
depreciation charge	24	353	15	0	0	392
derecognition – disposals	0	(22)	0	0	0	(22)
depreciation written out to the Revaluation Reserve	(6)	(442)	0	0	0	(448)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12)	(4)	0	0	0	(16)
At 31 March 2020	58	1,923	253	0	0	2,234

Net Book Value	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment
At 31 March 2020	2,939	1,176	62	323	92	4,592
At 31 March 2019	2,841	1,421	64	323	60	4,709

Depreciation

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

Category of Asset	Depreciation method	Depreciation period
Operational Land and Buildings	Straight line. (The split between land and buildings is determined by the Authority's property consultant)	Between 5 to 50 years as per professional advice
Community Land	Not depreciated	Not depreciated
Infrastructure Asset	Straight line	Between 20 to 25 years
Vehicles, Vessels and Equipment	Straight line	Between 5 to 10 Years
Computer and Office Equipment	Straight line	5 years

Capital Commitments

The Authority has no capital commitments as at the balance sheet date.

Impairments

In accordance with IAS 36 and the Code, Directors have undertaken an annual impairment review. No assets were considered to be impaired.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued every five years. Valuations were carried out internally and externally. Valuations of land and buildings were carried out externally by NPS Property Consultants Ltd, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Significant assumptions applied in estimating the current values are:

- Property, Plant and Equipment of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear and tear and obsolescence of the existing asset.
- Infrastructure Assets and Community Assets have been valued at historic cost rather than fair value.
- Property leases have been split between finance and operating leases and valued accordingly depending upon whether the Authority is lessor or lessee.

Financial Year	Land and buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community assets £000	Assets under construction £000	Total £000
Carried at historical cost	0	0	48	323	0	371
Valued at current value as at 31 March 2020	913	189	14	0	32	1,148
31 March 2019	1,381	300	0	0	0	1,681
31 March 2018	262	339	0	0	60	661
31 March 2017	144	224	0	0	0	368
31 March 2016	239	124	0	0	0	363
Total cost or valuation	2,939	1,176	62	323	92	4,592

13.Intangible assets

The Authority internally generated a website www.visitthebroads.co.uk which would be classified as an intangible asset as it meets strict IAS 38 requirements to be recognised on the balance sheet. The useful life of the website is 5 years and the carrying amount is amortised on a straight line basis.

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

Description	Internally generated assets £000	Other assets £000	2018/19 total £000	Internally generated assets £000	Other assets £000	2019/20 total £000
Balance at start of Year: Gross carrying amounts	46	0	46	46	0	46
Accumulated amortisation	(9)	0	(9)	(18)	0	(18)
Net carrying amount at start of year (subtotal)	37	0	37	28	0	28
Additions	0	0	0	0	0	0
Amortisation for the period	(9)	0	(9)	(9)	0	(9)
Net carrying amount at the end of the year	28	0	28	18	0	18
Gross carrying amounts	46	0	46	46	0	46
Accumulated amortisation	(18)	0	(18)	(28)	0	(28)

14. Inventories

Description	Consumable stores 2018/19 £000	Consumable stores 2019/20 £000	Maintenance materials 2018/19 £000	Maintenance materials 2019/20 £000	Total 2018/19 £000	Total 2019/20 £000
Balance outstanding at start of year	37	36	54	52	91	88
Purchases	35	24	60	144	95	168
Recognised as an expense in year	(36)	(29)	(62)	(113)	(98)	(142)
Written off balances	0	0	0	0	0	0
Balances outstanding at year end	36	31	52	83	88	114

15. Debtors

31 March 2019 £000	Debtor types	31 March 2020 £000
79	Trade receivables	1,265
592	Prepayments and accrued income	825
137	Other receivable amounts	160
808	Total	2,250

16. Cash and cash equivalents

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

31 March 2019 £000	Cash and cash equivalent types	31 March 2020 £000
2	Cash held by the Broads Authority	2
1,196	Bank current accounts	679
1,198	Total cash and cash equivalents	681

17. Creditors

31 March 2019 £000	Creditor types	31 March 2020 £000
313	Trade payables	279
1,211	Accruals and income in advance	2,301
223	Other payable amounts	202
1,747	Total	2,782

18. Provisions

2018/19 Accumulate absences provision £000	2018/19 HMRC provision £000	2018/19 Total £000	Description	2019/20 Accumulated absences provision £000	2019/20 Whitlingham Dilapidations provision £000	2019/20 Total £000
50	16	66	Balance at 1 April	47	0	47
47	0	47	Additional provisions made in year	60	47	107
(50)	(16)	(66)	Settlements or cancellation of provision made at end of proceeding year	(47)	0	(47)
47	0	47	Balance at 31 March	60	47	107

The HMRC Provision related to the non-taxation of members expenses for attendance at committee meetings during the period 2012/13-2017/18. Settlement was agreed with HMRC in August 2018.

The Whitlingham Dilapidations Provision relates to end of lease dilapidations as assessed by Whitlingham Charitable Trust. Due to COVID-19 the Authority has been unable to have it's own survey conducted to potentially reduce the liability.

For more information on the Accumulated Absence Account, see note 20.

19. Usable reserves

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

20. Unusable reserves

31 March 2019 £000	Description	31 March 2020 £000
1,950	Revaluation reserve	1,771
2,484	Capital Adjustment Account	2,618
(10,812)	Pensions Reserve	(8,719)
(47)	Accumulated Absences Account	(60)
(6,425)	Total unusable reserves	(4,390)

Revaluation reserve

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

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

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

2018/19 £000	Description	2019/20 £000
1,774	Balance at 1 April	1,950
75	Upward revaluation of assets	132
(3)	Downward revaluation of assets	(14)
72	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services (subtotal)	118
105	Difference between current value depreciation and historical cost depreciation	(297)
(1)	Asset disposed of 2019/20, balance still on reserve	0

2018/19 £000	Description	2019/20 £000
104	Amount written off to the Capital Adjustment Account (subtotal)	(179)
1,950	Balance at 31 March	1,771

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 current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000	Description	2019/20 £000
2,921	Balance at 1 April	2,484
130	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	0
(372)	Charges for depreciation and impairment of non-current assets	(392)
(14)	Revaluation losses on property plant & equipment	(51)
(130)	Movements in the market value of investment properties	0
0	Movement in the Donated Assets	54
(9)	Amortisation of intangible assets	(9)
(280)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss in disposal to the comprehensive income and expenditure statement	(16)
(105)	Adjusting amounts written out of the revaluation reserve	297

2018/19 £000	Description	2019/20 £000
(780)	Net written out amount of the cost of non-current assets consumed in the year (subtotal)	(117)
70	Capital financing applied in the year: Statutory provision for the financing of capital investment charges against the general fund removal of finance lease liability for assets returned in year	72
0	Derecognition of finance lease liability	9
273	Capital expenditure charges against the General Fund	170
2,484	Balance at 31 March	2,618

Pensions Reserve

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

2018/19 £000	Description	2019/20 £000
(7,571)	Balance at 1 April	(10,812)
(2,253)	Remeasurements of the net defined benefit liability/(asset)	3,111
(1,699)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,762)
711	Employer's pension contributions and direct payments to pensioners payable in the year	744
(10,812)	Balance at 31 March	(8,719)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2018/19 £000	Description	2019/20 £000
(50)	Balance at 1 April	(47)
50	Settlement or cancellation of accrual made at the end of the preceding year	47
(47)	Amounts accrued at the end of the current year	(60)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
(47)	Balance at 31 March	(60)

21. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2018/19 £000	Operating activity	2019/20 £000
(34)	Interest received	(49)
35	Interest paid	42
1	Net cash flows from operating activities	(7)

22. Cash flow statement – investing activities

2018/19 £000	Investing activity	2019/20 £000
(273)	Purchase of property, plant and equipment, investment property and intangible assets	(170)
(1,000)	Purchase of short term investments	(500)
(3)	Other payments from investing activities	(2)
(11)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4)
(1,287)	Net cash flows from investing activities	(676)

23. Cash flow statement – financing activities

2018/19 £000	Financing activity	2019/20 £000
(55)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(57)
(15)	Repayments of short and long term borrowing	(15)
(70)	Net cash flows from financing activities	(72)

24. Members' allowances

The Authority paid the following amounts to Members of the Authority during the year:

2018/19 £000	Member payment type	2019/20 £000
37	Allowances	39
6	Expenses	7
43	Total	46

25. Officers' remuneration

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

Job Title	Year	Salary, feed and allowances £000	Bonuses £000	Expenses allowances £000	Pension contribution £000	Total £000
Chief Executive	2018/19	87	0	0	16	103
	2019/20	88	0	0	16	105
Director of Strategic Services	2018/19	58	0	0	11	69
	2019/20	59	0	0	11	70
Director of Operations	2018/19	57	0	0	10	67
	2019/20	59	0	0	11	70

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below:

Number of employees 2018/19	Remuneration amount band	Number of employees 2019/20
0	£50,000 - £54,999	0
2	£55,000 - £59,999	2
0	£60,000 - £64,999	0
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
1	£85,000 - £89,999	1

Exit packages

The number and cost of exit packages agreed, analysed between compulsory redundancies and other departures, are disclosed in the table below:

Exit package cost band	Number of compulsory redundancies 2018/19	Number of compulsory redundancies 2019/20	Number of other departures agreed 2018/19	Number of other departures agreed 2019/20	Total number of exit packages by cost band 2018/19	Total number of exit packages by cost band 2019/20	Total cost of exit packages in each band 2018/19 £000	Total cost of exit packages in each band 2019/20 £000
£0-£20,000	0	1	0	0	0	1	12	12
£20,001-£40,000	0	1	0	0	0	1	24	24
Total	0	2	0	0	0	2	36	36

The total cost in the table above for exit packages have been charges to the authority's comprehensive income and expenditure statement in the previous year.

26.External audit costs

The Broads authority has incurred the following fees relating to 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

2018/19 £000	Type of external audit cost	2019/20 £000
11	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	11
11	Total	11

27. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2018/19 £000	Grant Name	2019/20 £000
3,356	Credited to taxation and non-specific grant income:	3,414
0	Defra National Park Grant	54
	Donated Asset (Acle WC)	
459	Credited to serves:	445
	Heritage Lottery Fund – Landscape Partnership Scheme	
202	CANAPE - ERDF	95
0	Defra Environment Land Management Scheme	24
0	Water Environment Grant	26
4,017	Total	4,058

28. Related parties

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

Members

Members of the Broads Authority have direct control over the Authority's financial and operating policies. Members of the Navigation Committee have a consultative role in respect of navigation matters. The Authority wrote to all Members requesting details of any related party transactions. Details of Members' expenses are included in note 24.

A number of members of the Broads Authority are appointed by Local Authorities within the Broads area. The Authority transacts with these other Local Authorities for items such as rates in the normal course of business. There were no material transactions with Local Authorities which are not disclosed elsewhere within the Statement of Accounts.

Mr Louis Baugh was a member of the Broads Authority and Audit & risk committee. The Authority completed remedial repair works in 2019/20 relating to a joint land access

agreement in place with Mr Baugh. No monies were exchanged, however, the overall value of work and materials was £7,276.

Mr Andrew Hamilton is a member of the Navigation Committee and is Director of "Eastwood Whelpton Ltd". "Eastwood Whelpton Ltd" paid £10,989.29 (£10,731 2018/19) navigation tolls to the Broads Authority in 2019/20.

Mr James Knight is a member of the Broads Authority and Planning Committee and is a Director of 'Waveney River Centre (2003) Ltd'. Waveney River Centre (2003) Ltd paid £18,032 (£8,019 2018/19) navigation tolls to the Broads Authority in 2019/20. The Authority also made fuel purchases of £1,294 (£1,036 in 2018/19) and used mooring facilities of £2,400 during 2019/20 (£2,400 2018/19) and prepaid £2,500 in advance relating to 2020/21. No amounts were outstanding at 31 March 2020. Mr Knight took no part in the decision-making process associated with these contracts.

Mr Greg Munford is a member of the Broads Authority, Navigation Committee and Audit & risk Committee and is Chief Executive of 'Richardson's Leisure Ltd'. Richardson's Leisure paid £384,802 (£382,281 2018/19) navigation tolls to the Broads Authority in 2019/20. The Authority also made fuel purchases of £730 during 2019/20 (Nil in 2018/19). No amounts were outstanding at 31 March 2020. Mr Munford took no part in the decision-making process associated with this contract.

Mr Simon Sparrow is a member of the Navigation Committee and is Director of Hippersons Boatyard Ltd. Hippersons Boatyard paid £4,652 (£3,826 2018/19) navigation tolls to the Broads Authority in 2019/20. The Authority also made fuel purchases of £72 during 2019/20 (Nil 2018/19). £72 was outstanding at 31 March 2019. Mr Sparrow took no part in the decision-making process associated with this contract.

Officers

The Chief Executive represents the Broads Authority on the board of the Whitlingham Charitable Trust. Officer remuneration is detailed in note 25.

Whitlingham Charitable Trust

During the year the Authority provided administration services for Whitlingham Charitable Trust of £36,632 (£45,555 in 2018/19). The balance outstanding at 31 March 2020 was £6,953 (£15,384 at 31 March 2019).

The Broads Authority also provides a recharge service for purchase invoices and salaries of £72,832 (£82,513 in 2018/19). The balance outstanding at 31 March 2020 was £6,914 (£10,115 at 31 March 2019).

The Whitlingham Charitable Trust also invoiced the Authority £15,880 (£18,789 in 2018/19) for rental income for the lease of the visitor centre and moorings, and £4,339 for income collected on behalf of the Trust (£3,991 in 2018/19). The balance outstanding at 31 March 2020 was £864 (£2,159 in 2018/19). The Trust can also recharge purchase invoices, although there were none in 2019/20 (none in 2018/19).

Birketts LLP

Birketts LLP provides legal services to the Broads Authority. The Authority paid £54,866 for legal services in 2019/20 (£5,133 2018/19). £8,656 was outstanding at 31 March 2020 (£Nil 2018/19). The Senior Associate at Birketts LLP serves as Monitoring Officer to the Broads Authority and was appointed in May 2019.

Other Public Bodies

The Authority recharged Broadland District Council for staff time of £5,667 during 2019/20 (£12,009 in 2018/19). No amounts were outstanding at 31 March 2020 (£1,565 at 31 March 2019).

Norfolk County Council provides legal services to the Broads Authority via its legal practice, NPLaw. The Authority paid £34,155 for legal services in 2019/20 (£57,249 in 2018/19). £1,491 was outstanding at 31 March 2020 (Nil 2018/19).

Norfolk County Council also provides payroll services to the Broads Authority. The Authority paid £9,291 for this in 2019/20 (£6,952 in 2018/19). £2,295.13 was outstanding at 31 March 2020 (Nil 2018/19).

The Authority recharged Norfolk County Council for staff time of £2,520 during 2019/20 (Nil in 2018/19). No amounts were outstanding at 31 March 2020.

29. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP 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.

2018/19 £000	Description	2019/20 £000
364	Opening Capital Finance Requirement	294
273	Capital investment: Property, plant and equipment	224
(273)	Sources of finance Sums set aside from revenue: Direct revenue contributions	(170)
0	Donated Asset	(54)
(70)	MRP	(72)
294	Closing capital finance requirement	222

2018/19 £000	Description	2019/20 £000
(70)	Explanation of movements in year Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(72)
(70)	Increase/(decrease) in capital financing requirement	(72)

30. Leases

Authority as lessee

Finance Leases

The Authority has a number of vehicles, plant and office equipment acquired under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2018/19 £000	Asset Type	2019/20 £000
0	Other Land and Buildings	0
190	Vehicles, Plant, Furniture and Equipment	128
190	Total	128

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

2018/19 £000	Time periods	2019/20 £000
50	Finance lease liabilities (net present value of minimum lease payments): Current	43
130	Non-current	72
7	Finance costs payable in future years	4
187	Minimum lease payments	119

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

Time periods	Minimum lease payments 31 March 2019 £000	Minimum lease payments 31 March 2020 £000	Finance lease liabilities 31 March 2019 £000	Finance lease liabilities 31 March 2020 £000
Not later than one year	53	45	50	43
Later than one year and not later than 5 years	134	74	130	72
Later than 5 years	0	0	0	0
Total	187	119	180	115

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20, no (£nil) contingent rents were payable by the Authority (2018/19 £nil).

Operating Leases

The Authority has also established operating leases in relation to land and buildings with typical lives between 5 and 20 years. The future minimum lease payments due under noncancelable leases in future years are:

2018/19 £000	Time period	2019/20 £000
138	Not later than one year	141
380	Later than one year and not later than 5 years	280
194	Later than 5 years	207
712	Total	628

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

2018/19 £000	Expenditure	2019/20 £000
170	Minimum lease payments	162
170	Total	162

Authority as Lessor

Finance Leases

The Authority has no leased out property on a finance lease.

Operating Leases

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

- For the provision of community services, such as tourism services; and
- For an outdoor education and study centre.

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

2018/19 £000	Time Period	2019/20 £000
0	Not later than one year	0
0	Later than one year and not later than 5 years	0
0	Later than 5 years	0
0	Total	0

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.

31. Termination benefits

The Authority terminated the contracts of two employees who were made redundant at the beginning of 2019/20 as part of the Broads Authority's organisational restructuring. In terminating these contracts the Authority incurred liabilities of £36,315, of which £nil related to enhanced pension benefits. No additional liabilities relating to termination benefits were incurred during 2019/20 and no provision for any future redundancy payments was established in the year.

32. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Broads 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 future payments and thus these need to be disclosed as a future entitlement. The Authority participates in one pension scheme:

- The Norfolk Pension Fund for civilian employees (the Local Government Pension Scheme), administered locally by Norfolk County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Guaranteed minimum pension

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

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of the Broads Authority for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The McCloud Judgement

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

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

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

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

The effect of the judgement has been included in the pension liabilities recognised in the balance sheet.

Transactions relating to Post-Employment Benefits

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

2018/19 £000	Transaction	2019/20 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
1,289	• current service cost	1,493
195	• past service cost	0
	Financing and investment income and expenditure	
215	• net interest expense	269
1,699	Total post-employment benefits charged to the surplus or deficit on the provision of services	1,762
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
(710)	• return on plan assets (excluding the amount included in the net interest expense)	2,218
-	• actuarial gains and losses arising on changes in demographic assumptions	(996)
2,945	• actuarial gains and losses arising on changes in financial assumptions	(3,142)
18	• other experience	(1,191)
(2,253)	Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(3,111)

2018/19 £000	Transaction	2019/20 £000
1,699	Movement in Reserves Statement <ul style="list-style-type: none"> reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code 	1,762
(711)	Actual amount charged against the General Fund balance for pensions in the year: <ul style="list-style-type: none"> employers' contributions payable to scheme 	(744)

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2018/19 £000	Type	2019/20 £000
(37,640)	Present value of the defined benefit obligation	(33,898)
26,828	Fair value of plan assets	25,179
(10,812)	Net liability arising from defined benefit obligation	(8,719)

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

2018/19 £000	Movements	2019/20 £000
25,211	Opening fair value of scheme assets	26,828
683	Interest income	644
710	Remeasurement gain / (loss): <ul style="list-style-type: none"> The return on plan assets, excluding the amount included in the net interest expense 	(2,218)
711	Contributions from employer	744
216	Contributions from employees into the scheme	222
(703)	Benefits paid	(1,041)
26,828	Closing fair value of scheme assets	25,179

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2018/19 £000	Movements	2019/20 £000
32,782	Balance at 1 April	37,640
1,289	Current service cost	1,493
898	Interest cost	913

2018/19 £000	Movements	2019/20 £000
216	Contributions from scheme participants	222
-	Remeasurement (gains) and losses: <ul style="list-style-type: none"> Actuarial gains / losses from changes in demographic assumptions 	(996)
2,945	<ul style="list-style-type: none"> Actuarial gains / losses arising from changes in financial assumptions 	(3,142)
18	<ul style="list-style-type: none"> Other 	(1,191)
195	<ul style="list-style-type: none"> Past Service Cost 	-
(703)	Benefits paid	(1,041)
37,640	Balance at 31 March	33,898

Local Government Pension Scheme Assets

Local Government Pension Scheme assets comprised:

Fair value of scheme assets 2018/19 £000				Fair value of scheme assets 2019/20 £000		
Quoted prices in active markets	Quoted prices not in active markets	Total	Asset type	Quoted prices in active markets	Quoted prices not in active markets	Total
-	669.8	669.8	Cash and cash equivalents: <ul style="list-style-type: none"> All cash and cash equivalents 	-	666.1	666.1
1,663.0	-	1,663.0	Equity instruments: <ul style="list-style-type: none"> Consumer 	933.0	-	933.0
1,373.9	-	1,373.9	<ul style="list-style-type: none"> Manufacturing 	739.8	-	739.8
600.6	-	600.6	<ul style="list-style-type: none"> Energy and utilities 	225.6	-	225.6
1,454.6	-	1,454.6	<ul style="list-style-type: none"> Financial institutions 	632.5	-	632.5
645.6	-	645.6	<ul style="list-style-type: none"> Health and care 	584.4	-	584.4
1,312.8	-	1,312.8	<ul style="list-style-type: none"> Information technology 	777.1	-	777.1
0.9	-	0.9	<ul style="list-style-type: none"> Other 	0.4	-	0.4
-	-	-	Bonds (Debt securities): <ul style="list-style-type: none"> Corporate bonds (investment grade) 	-	-	-
-	-	-	<ul style="list-style-type: none"> Corporate bonds (non-investment grade) 	-	-	-
307.4	-	307.4	<ul style="list-style-type: none"> UK Government 	292.6	-	292.6
-	1,656.3	1,656.3	Private equity: <ul style="list-style-type: none"> All private equity 	-	1,515.2	1,515.2
-	2,655.6	2,655.6	Property:	-	2,166.6	2,166.6

Fair value of scheme assets 2018/19 £000				Fair value of scheme assets 2019/20 £000		
-	512.6	512.6	<ul style="list-style-type: none"> • UK property • Overseas property 	-	496.1	496.1
4,616.3	-	4,616.3	Other investment funds and unit trusts:	7,277.4	-	7,277.4
9,289.4	-	9,289.4	<ul style="list-style-type: none"> • Equities • Bonds • Infrastructure 	8,204.2	-	8,204.2
-	-	-		-	703.3	703.3
76.6	-	76.6	Derivatives	-	-	-
(7.4)	-	(7.4)	<ul style="list-style-type: none"> • Other derivatives • Foreign exchange 	-	(35.3)	(35.3)
21,333.7	5,494.3	26,828.0	Total	19,667.0	5,512.0	25,179.0

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

31 March 2019	Assumption	31 March 2020
	Long term expected rate of return on assets in the scheme:	
2.4%	• Equity investments	2.3%
2.4%	• Bonds	2.3%
2.4%	• Property	2.3%
2.4%	• Cash	2.3%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1 years	• Men	21.7 years
24.4 years	• Women	23.9 years
	Longevity at 65 for future pensioners:	
24.1 years	• Men	22.8 years
26.4 years	• Women	25.5 years
2.5%	Rate of inflation	1.9%
2.8%	Rate of increase in salaries	2.6%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
	Take up of option to convert annual pension into retirement lump sum:	
50%	Pre- April 2008 service	50%
75%	Post- April 2008 service	75%

*The expected rates of return are set equal to the discount rate (per the revised version of IAS19).

The estimation of the defined benefit obligation 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 at the end of the reporting period and assumes for each other 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 are consistent with those adopted in the previous period.

Sensitivity analysis – impact on the defined benefit obligation in the scheme

Change in assumptions at 31 March 2020	Approximate % increase to employer liability	Approximate monetary amount £000
0.5% decrease in real discount rate	10%	3,358
1 year increase in member life expectancy	3-5%	Dependent on revised assumption
0.5% increase in the salary increase rate	1%	262
0.5% increase in the pension increase rate	9%	3,072

Techniques used to manage risk

The Pensions Committee of Norfolk County Council considers long term liabilities when setting its investment strategy but does not follow a specific liability matching investment approach having taken appropriate professional advice. The Committee has agreed an asset allocation benchmark, a performance target and various controls on the Fund's investments. These reflect their views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk. The Committee monitors and reviews the performance of investments and the overall strategy on a regular basis, supported by advice from professional advisers as required. A large proportion of the Fund's assets relate to equities (50% of scheme assets) and bonds (34%). These percentages are materially the same as the previous year. The scheme also invests in properties as part of the diversification of the scheme's investments.

Further details of the Fund's investment approach are outlined in the Statement of Investment Principles and Funding Strategy Statement that are published on the Fund's website www.norfolkpensionfund.org.

Impact on the Authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Administering Authority 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 will take place on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. 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 Authority anticipates paying contributions of approximately £740,000 to the scheme in 2020/21.

33. Contingent Liabilities

The Authority has identified two material contingent liabilities:

Postwick Tip

The Authority uses a site “Postwick Tip,” which is included in the Authority’s Fixed Asset Register, for the treatment of sediment material from dredging operations. This natural treatment process involves the drying of sediment so that mercury content is absorbed. As such there would be no clean-up costs at the end of the site’s life. However, if the Authority were to stop using the site, there would be a cost of £33,000 to surrender the license. There is currently no expectation that the Authority will cease using the site. The Authority’s use of the site is the subject of a bond / financial provision to the Environment Agency in the amount of £6.4m. This covers the estimated cost of restoration which could arise if there were to be a catastrophic event at the site. Defra are the guarantors for this bond and the Authority would not itself anticipate making any payment under the terms of this agreement.

34. Financial Instruments

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

Financial Assets

Type	Non-Current Investments 31 March 2019 £000	Non-Current Investments 31 March 2020 £000	Non- Current Debtors 31 March 2019 £000	Non- Current Debtors 31 March 2020	Current Investments 31 March 2019 £000	Current Investments 31 March 2020 £000	Current Debtors 31 March 2019 £000	Current Debtors 31 March 2020	Total 31 March 2019 £000	Total 31 March 2020 £00
Amortised Cost	0	0	0	0	4,704	4,689	559	2,839	5,263	7,528
Total financial assets	0	0	0	0	4,704	4,689	559	2,839	5,263	7,528
Non- financial assets	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	4,704	4,689	559	2,839	5,263	7,528

Financial Liabilities

Type	Non-Current Borrowings 31 March 2019 £000	Non-Current Borrowings 31 March 2020 £000	Non-Current Creditors 31 March 2019 £000	Non-Current Creditors 31 March 2020	Current Borrowings 31 March 2019 £000	Current Borrowings 31 March 2020 £000	Current Creditors 31 March 2019 £000	Current Creditors 31 March 2020	Total 31 March 2019 £000	Total 31 March 2020 £00
Amortised Cost	239	167	0	0	64	57	1,697	2,740	2,000	2,964
Total financial liabilities	239	167	0	0	64	57	1,697	2,740	2,000	2,964
Non-financial liabilities	0	0	0	0	0	0	0	0	0	0
Total	239	167	0	0	64	57	1,697	2,740	2,000	2,964

Income, Expense Gains and Losses

Interest Type	Surplus or Deficit on the Provision of Services 2018/19 £000	Other Comprehensive Income and Expenditure 2018/19 £000	Total 2018/19 £000	Surplus or Deficit on the Provision of Services 2019/20 £000	Other Comprehensive Income and Expenditure 2019/20 £000	Total 2019/20 £000
Interest Expense	35	0	35	42	0	42

Interest Type	Surplus or Deficit on the Provision of Services 2018/19 £000	Other Comprehensive Income and Expenditure 2018/19 £000	Total 2018/19 £000	Surplus or Deficit on the Provision of Services 2019/20 £000	Other Comprehensive Income and Expenditure 2019/20 £000	Total 2019/20 £000
Interest Income	(37)	0	(37)	(49)	0	(49)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These valuations are all classified as Level 2, where market prices are not available, with valuation techniques using inputs based significantly on observable market data. The following assumptions should be noted:

- Fixed interest rate of 4.82% over the 20 year PWLB loan;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be invoices or billed amount.

The fair values calculated are as follows:

Financial Liabilities held at amortised cost:	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
PWLB	123	146	109	130
Finance Leases	180	180	115	115
Short Term Creditors	1,697	1,697	2,740	2,740
Total	2,000	2,023	2,964	2,985

The fair value of borrowings is higher than the carrying amount because the authority's PWLB loan is at a fixed interest rate where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions as at 31 March 2020) arising from a commitment to pay interest to lenders above the current market rate. Refinancing the loan at lower interest rates would outweigh the early repayment fee.

Financial assets held at amortised cost:	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
Fixed term investments	3,508	3,508	4,010	4,010
Cash at banks	1,196	1,196	679	679
Short Term debtors	559	559	2,839	2,839
Total	5,263	5,263	7,528	7,528

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

35. Nature and Extent of Risks Arising from Financial Instruments

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

Credit Risk: The possibility that other parties might fail to pay amounts due to the Authority.

Liquidity Risk: The possibility that the Authority might not have funds available to meet its commitments to make payments.

Market Risk The possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market investments.

Foreign Exchange Risk: The possibility that financial loss might arise for the Authority as a result of changes in the exchange rate (GBP and Euro).

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. Deposits are only made in line with the Treasury Management Strategy which requires that deposits are not made with banks and financial institutions unless they are highly rated. Therefore the Broads Authority does not consider there to be any quantifiable risk in relation to investments.

The Authority's standard terms and conditions for payment of invoices are 30 days from invoice date. The Authority does not allow credit for customers, and only a small proportion of invoices were overdue and outstanding as at 31 March 2020 for which a bad debt provision had not been put in place.

Liquidity Risk

A one year funding agreement from DEFRA means the Broads Authority has some certainty over 2020/21. Longer term uncertainty still remains and future changes in government brings further uncertainty whether future multi-year funding will be available. Given the significant cash balances there is no significant risk that it will be unable to meet its commitments under financial instruments. All financial liabilities are due to be repaid within one to five years with the exception of the 20 year PWLB loan. Therefore there is no risk of having to borrow at unfavourable rates in future to replenish borrowings.

Market Risk

With the exception of the PWLB loan, the Broads Authority is debt free. Excess cash is invested at variable or fixed money market rates depending on forecasts for interest rates under the period of review.

Foreign Exchange Risk

The Authority's Annual Investment and Capital Financing Strategy for 2020/21 states that if the Authority enters into any contractual arrangements above £100,000 which involve foreign currency, the advice of the Chief Financial Officer will be sought on the advisability of hedging the exchange risk before entering into the contract.

36. Navigation Income and Expenditure Account

2018/19 Gross expenditure £000	2018/19 Income £000	2018/19 Net expenditure/ (income) £000	Description	2019/20 Gross expenditure £000	2019/20 Income £000	2019/20 Net expenditure/ (income) £000
2,445	(214)	2,231	Operations	2,587	(87)	2,500
821	(71)	750	Strategic Services	580	(160)	420
466	(8)	458	Chief Executive	700	(14)	686
117	0	117	Corporate Items	38	0	38
0	(3,354)	(3,354)	Navigation Income (Tolls)	0	(3,431)	(3,431)
3,849	(3,647)	202	Cost of services (subtotal)	3,905	(3,692)	213
		(4)	(Gains)/Losses on the disposal of non-current assets			(4)
		51	Financing and investment income and expenditure			123
		0	Donated Asset			(54)
		249	(Surplus) or deficit on provision of services (subtotal)			278
		(64)	(Surplus) or deficit on revaluation of fixed assets			(96)
		994	Actuarial (gains)/losses on pension assets/liabilities			(1,376)
		930	Other comprehensive income and expenditure (subtotal)			(1,472)
		1,179	Total comprehensive income and expenditure			(1,194)

Glossary of Terms

Accounting period

The period of time covered by the accounts, a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting policies

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

Actuarial gains and losses

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

Amortisation

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible long term asset.

Amortised cost

This is cost that has been adjusted for amortisation.

Asset

An item owned by the Authority which has a value, for example, premises, vehicles, equipment, cash.

Budget

The statement of the Authority's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see also: revenue income and expenditure), and the Capital Budget plans for asset acquisitions and replacements (see also: capital income and expenditure).

Capital income and expenditure

Expenditure on the acquisition of a long term asset, which lasts normally for more than one year, or expenditure which adds to the life or value of an existing long term asset.

Capital financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Cash equivalents

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

Chartered institute of public finance and accountancy (CIPFA)

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

Code of practice on local authority accounting (the Code)

Based on International Financial Reporting Standards, the Code aims to achieve consistent financial reporting between all English local authorities and National Park Authorities. It is based on generally accepted accounting standards and practices.

Community assets

Community assets are assets that the Authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal.

Contingent liabilities

Potential costs that the Authority may incur in the future because of something that happened in the past.

Creditors

Amounts owed by the Authority for goods and services provided for which payment has not been made at the end of the financial year.

Current value

This is the cost of an asset if bought in the current year.

Debtors

Sums of money due to the Authority but not received at the end of the financial year.

Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset.

Expected return on pension assets

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair value

The price at which the Authority could buy or sell an asset in a transaction with another organisation, less any grants received towards buying or using that asset.

Financial asset

A right to future economic benefits.

Financial instrument

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

Financial liability

An obligation to transfer economic benefits.

Finance lease

A lease which transfers all of the risks and rewards of ownership of a long term asset to the lessee. Where these leases are entered into, the assets acquired have to be included with the Authority's long term assets in the balance sheet at the market value of the asset involved (see also: operating lease).

Long term assets

Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Government grants

Grants paid by the Government. These can be for general expenditure or a particular service or initiative.

Historic cost

The cost of an asset when originally bought.

Ias19 retirement benefits

An International Financial Reporting Standard which requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements.

Impairment

A reduction in the value of a long term asset to below its carrying amount in the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (fire at a building) or a deterioration in the quality of the service provided by the asset, or by a general fall in prices of that particular asset or type of asset.

Infrastructure assets

Long term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible assets

Intangible assets are non-financial long term assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights.

International financial reporting standards (ifrs)

International Financial Reporting Standards (IFRS) are issued by the International Accounting

Standards Board. All local authorities apply international accounting regulations when preparing accounts. The Authority's accounts follow these standards where they apply to local authorities.

Investment properties

Assets that the Authority owns but which are not used in the direct delivery of services.

Liability

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

Market price

This is the price at which another organisation is prepared to buy or sell an asset.

Minimum revenue provision (mrp)

The minimum sum charged to the Authority's revenue account each year to provide for the repayment of loans.

Net book value

The amount at which long term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Non distributed costs

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

Operating lease

A lease whereby the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service. The assets involved are not included within the Authority's long term assets in the balance sheet (see also: finance lease).

Outturn

The actual amount spent in the financial year.

Pension fund

A fund which makes pension payments on retirement of its participants.

Provision

An amount set aside to provide for a liability, which is likely to be incurred, but where the exact amount and the date on which it will arise are uncertain.

Reserves

An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revenue income and expenditure

Expenditure which relates to day to day expenses, such as salaries and wages, general

running expenses and the minimum revenue provision. Revenue income includes charges made for goods and services.

Surplus

Arises when income exceeds expenditure or when expenditure is less than available budget.

Value added tax (vat)

A tax on consumer expenditure, collected on business transactions at each stage in the supply, but ultimately borne by the final customer.

Variance / variation

A difference between budgeted income or expenditure and actual outturn, also referred to as an 'over-' or 'underspend'

Audit and Risk Committee

21 July 2020

Agenda item number 8

Internal Audit Annual Report and Opinion 2019/20

Report by Head of Internal Audit

Summary

This report provides the Authority with an Annual Report and Opinion for 2019/20, drawing upon the outcomes of Internal Audit work performed over the course of the year and a conclusion on the Effectiveness of Internal Audit.

Recommendation

The Committee is requested to:

1. Receive and approve the contents of the Annual Report and Opinion of the Head of Internal Audit.
 2. Note that a reasonable audit opinion (positive) has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2020.
 3. Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2019/20.
 4. Note the conclusions of the Review of the Effectiveness of Internal Audit.
-

1. Introduction/background

- 1.1. In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
 - A summary of the work that supports the opinion should be submitted;
 - Reliance placed on other assurance providers should be recognised;
 - Any qualifications to that opinion, together with the reason for qualification must be provided;

- There should be disclosure of any impairments or restriction to the scope of the opinion;
 - There should be a comparison of actual audit work undertaken with planned work;
 - The performance of internal audit against its performance measures and targets should be summarised; and,
 - Any other issues considered relevant to the Annual Governance Statement should be recorded.
- 1.2. This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes;
- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme;
 - The outcomes of the performance indicators; and,
 - The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.
- 1.3. The Annual Report and Opinion 2019/20 and the Review of the Effectiveness of Internal Audit are shown in the report attached.
- 1.4. On the basis of Internal Audit work performed during 2019/20, the Head of Internal Audit is able to give a reasonable opinion (positive) on the framework of governance, risk management and control at the Broads Authority.
- 1.5. The outcomes of the Effectiveness Review confirm that Internal Audit:
- Is compliant with the Public Sector Internal Audit Standards;
 - Is continually monitoring performance and looking for ways to improve; and.
 - Is compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.
- 1.6. These findings therefore indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit, which can then be used to inform the Authority's Annual Governance Statement.

Author: Emma Hodds, Head of Internal Audit

Date of report: 08 July 2020

Appendix 1 – Annual Report and Opinion 2019/20

Eastern Internal Audit Services



BROADS AUTHORITY

Annual Report and Opinion 2019/20

Responsible Officer: Emma Hodds – Head of Internal for Broads Authority

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Audit and Risk Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control during 2019/20, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
 - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Audit and Risk Committee and statutory officers of the Authority should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 5**.

2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

- The Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Chairman of the Authority and the Chief Executive that records and publishes the Authority’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Management Team and key stakeholders and then approved by the Audit and Risk Committee at its meeting on 5 March 2019. Any justifiable amendments that are requested during the year are discussed and agreed with senior management. This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.

The Audit and Risk Committee should consider this opinion, together with any assurances from management, its own knowledge of the Authority and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and controls at the Broads Authority is **reasonable**, with all audits concluding with a positive opinion. We therefore have no Internal Audit considerations for the Annual Governance Statement.

There are therefore no issues raised by internal audit that are significant enough for inclusion in the Annual Governance Statement.

In providing the opinion, the authority's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified therefrom have been taken into account.

The opinion has been discussed with the Section 17 Officer prior to publication.

3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

- 3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the individual assurances provided over recent financial years to provide an overall picture of the control environment.

3.2 Summary of internal audit work

The Audit and Risk Committee approved the Annual Internal Audit Plan for 2019/20, which is summarised at **Appendix 1** to this report and totalled 36 days as originally planned, encompassing:

- An annual opinion of Corporate Governance and Risk Management;
- A fundamental financial system review of key controls and assurance, including verification of completion of audit recommendations;
- Service audit of Procurement and
- HLF External Funding.

A total of 15 recommendations were raised and agreed by management in 2019/20. In addition, 11 operational effectiveness matters points were raised for management consideration.

- 3.3 The following provides a summary of the results of these audits, with **Appendix 3** to this report providing the detailed Executive Summaries.

HLF Funding

This audit concluded with a reasonable assurance, with three important and three needs attention recommendations agreed with management. Important recommendations related to reviewing the Business Continuity Plan to consider the recent organisational re-structure and to ensure major projects such as the Water Mills and Marshes Project are provided for. Ensuring the next claim submission was amended and finance notified of an error and to carry out an independent accuracy check of actual costs to source prior to each quarterly claim

submission. All of these recommendations were due to be completed by December 2019. An update on progress is provided in our follow up section in Appendix 4 of this report.

Key Controls and Assurance

The audit looked at the fundamental systems that feed into the statement of accounts to provided assurance on the key controls. The areas reviewed were; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts and Follow Up of Internal Audit Recommendations. The audit concluded with a substantial assurance grading with no recommendations raised.

Procurement

This audit concluded with a reasonable assurance, with four important and three needs attention recommendations agreed with management. The important recommendations were all due for completion by end of March 2020 and related to: ensuring all contracts over £100k have received the Broads Authority seal and added to the Authorities record of sealed documents. To ensure that waivers are completed for all procurement which exceed the £5k threshold. To ensure that procurement guidance is reviewed and updated, and version controlled and to ensure that a contract risk assessment is produced to score each project as referred to in the procurement strategy. An update on progress is provided in our follow up section in Appendix 4 of this report.

Corporate Governance and Risk Management

This audit concluded with a reasonable assurance grading, with one important and one needs attention recommendations agreed with management. The important recommendation is due for completion by August 2020 and relates to the Management Team reviewing National Park Authority comparison data, setting targets where applicable and addressing performance gaps.

3.4 Follow up of management action

In relation to the follow up of management actions the position at year end is that of the 15 recommendations raised by TIIA Ltd in 2019/20, nine are complete and three are outstanding and three are within deadline.

The following table is the overall summarised year end position for 2019/20, and the management responses for the outstanding recommendations are provided at **Appendix 4**.

Number raised	15	
Complete	9	60%
Outstanding	3	20%
Within Deadline	3	20%

- 3.4.1 A total of two needs attention recommendations remain overdue from the 2018/19 Branding Internal Audit review.

3.5 Issues for inclusion in the Annual Governance Statement

Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

4. THIRD PARTY ASSURANCES

- 4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Quality Assurance and Improvement Programme (QAIP)

5.1.1 Internal Assessment

A checklist for conformance with the PSIAS and the Local Government Application Note has been completed for 2019/20. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme (which includes both internal and external assessment).

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks. On conclusion of completion of the checklist full conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist is provided to the Chief Financial Officer for independent scrutiny and verification.

5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that **“the internal audit service conforms to the professional standards and the work has been performed in accordance with the International Professional Practices Framework”**. Thus, confirming conformance to the required standards.

The external assessment report has been previously provided to the Chief Financial Officer and the Audit and Risk Committee. All improvement points raised have been completed.

5.2 Performance Indicator outcomes

- 5.2.1 The Internal Audit Service is benchmarked against a number of performance measures as agreed by the Committee.

Actual performance against these targets is outlined in the following table:

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Adequate	Achieved
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audit's completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved – 4 assurance reports.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	75%	For quarter three the quarterly report was received 1 day after the 15 working day deadline.
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	No issues to address.
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Exceeded, 2 responses received.
9. Percentage of recommendations accepted by management		90%	100%	Exceeds
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	100%	Exceeds
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 It is encouraging to note that all but one of the performance measures have been achieved, with three of these exceeding targets. Client feedback has been provided in response the audits completed and has been positive recognising the professional service provided and also the value that internal audit has brought to the Authority. The contractor has also provided the Authority with a higher percentage of qualified / experienced staff to undertake the audit reviews.

One performance measure was not achieved in 2019/20 in relation to receiving the quarterly performance report from the contractor within 10 days. As per commentary, this was received

one working day after the deadline. No significant concerns have been raised with the contractor on this occasion as this was an isolated incident.

It is also extremely encouraging to note that all four audit reviews were finalised by 23 April 2020, thus ensuring that audits are completed within financial year and ensuring that this annual opinion can be ready in line with the earlier reporting requirements associated with the audit of the accounts.

5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the five principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

5.3.2 Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit. The detailed checklist has been forwarded to the Chief Financial Officer for independent scrutiny and verification.

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2019/20

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Corporate Governance and Risk Management	Reasonable	2	0	0	0	0	2
Fundamental Financial Systems							
Key Controls and Assurance	Substantial	0	0	0	0	0	0
Service area audits							
HLF External Funding	Reasonable	6	5	0	1	0	0
Procurement	Reasonable	7	4	0	1	1	1
Total		15	9	0	2	1	3

Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	1
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	3
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

APPENDIX 2 ASSURANCE CHART

	Current Contract					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Annual Opinion Audits						
Corporate Governance and Risk Management		Reasonable	Reasonable	Reasonable	Reasonable	X
Governance	Reasonable					
Fundamental Financial Systems						
Key Controls and Assurance	Reasonable	Reasonable	Reasonable	Substantial	Substantial	X
Procurement					Reasonable	
Services Area Reviews						
Consultation Activities and Partnerships Provisions						
External Funding - HLF Bid and National Parks Partnership		Reasonable			Reasonable	
Asset Management			Reasonable			
Port Marine Safety Code			Reasonable			X
Branding				Reasonable		
Planning	Reasonable					X
IT Audits						
Toll Management Application						
Network Security						
End User Controls						
Disaster Recovery				Reasonable		
Virus Protection/Spyware, Data Backup and Data Centre controls		Reasonable				

APPENDIX 3 – EXECUTIVE SUMMARIES

Assurance Review of National Heritage Lottery Fund - External Funding Arrangements Water Mills and Marshes Project

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance arrangements	0	1	2	0
Performance measures	0	0	0	0
Financial management including procurement	0	2	1	0
Total	0	3	3	0

SCOPE

The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over the NHLF – External Funding process.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous report was issued in December 2016 (BA1701), with a 'Reasonable' assurance, this covering the National Parks Partnership in addition to the WMM project. Two 'important' and one 'needs attention' recommendations were raised in respect of the WMM project, which indicates an adverse change in the direction of travel. However, one important recommendation in this audit refers to a corporate control issue rather than one specific to the WMM project.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Governance

- An online project management tool called Basecamp is used by the Broads Authority to assist in the project management of the Broads Landscape Partnership. This tool provides a central place to manage projects and includes message boards and comment threads; real-time chat/pings; automatic check-ins; to-do lists; document / file storage and; a centralized schedule.
- On overall project plan is in place for the development phase which all 38 individual projects which facilitates effective project management.
- Electronic minutes were obtained for the last board meeting and sample minutes were also reviewed enabling the verification that up to date record of project board decisions are maintained.

Performance Measures

- A monthly update/report of the project's progress is provided to the Broads Authority Management Team assisting in the senior managers understanding of the project and its progress in a timely manner.

Financial Management

- A comprehensive spreadsheet is maintained by the Programme Manager which tracks the budget including match funding. This includes a separate worksheet for each project which enables budget management at individual project level incorporating budget against actual figures.

ISSUES TO BE ADDRESSED

The audit has also highlighted the following areas where three 'important' recommendations have been made.

Governance

- The Broads Authority Business Continuity (BC) Plan is reviewed and updated to take into account the recent organisational re-structure and to ensure major projects such as the WMM Project are provided for. This mitigates the risk that BC management procedures and priorities are not embedded in the Broads Authority.

Financial Management

- Duplicate amount of £835 to be subtracted from the next claim submission and finance notified of this error which mitigates the risk of grant funding being withheld.
- An independent accuracy check of actual costs, to source, is undertaken prior to each quarterly claim submission mitigating the risk of human error and potential duplication.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Governance

- To update the project risk registers to clearly define the current risk score, target risk score and risk appetite. This assists in preventing risks from being misunderstood or not properly mitigated in line with risk appetite.
- Declaration of interests are minuted, including incidences where there are none which reduces the risk that conflicts of interests are not sufficiently mitigated leading to a poor standard of integrity and reputation and potential fraud.

Financial Management

- Evidence that tenders are advertised on the BA's website/social media page and on industry specific websites/in newspapers or journals, to be retained. This mitigates the risks that there is inadequate transparency and fairness in the procurement process and the BA does not obtain VFM from its procurements.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Assurance Review of Key Controls and Assurance Framework Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

No recommendations arose in the areas reviewed.

SCOPE

This audit looks at the fundamental systems that feed into the statement of accounts to provide assurance on the key controls. The areas reviewed as part of this audit are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Payroll, Toll Income, Control Accounts, and Follow Up of Internal Audit Recommendations.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.
- This assurance opinion indicates that the overall level of control has remained the same since the previous audit of Key Controls and Assurance in 2018/19, which concluded in a 'Substantial' assurance opinion, with no recommendations raised.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The 2019/20 budget was approved by the Broads Authority Committee meeting on the 1st February 2019 and individual budget holders sign up to their allocated budgets, therefore ensuring budgets are clearly understood.
- Monthly 'Monitor' reports are shared with budget holders and there is a process requiring significant variances to be explained, helping to maintain budgetary control.
- Journals and virements are properly documented and authorised with a separation of duties demonstrated, thus helping to ensure approved journals are processed, accurate reporting and sound budgetary control.
- Capital asset additions and disposals are appropriately authorised. Annual asset reconciliations are undertaken, helping to ensure that assets are correctly recorded in the Authority's accounts.
- Investments are authorised and evidence is retained to confirm the terms of the investment, with reconciliations to the general ledger of the principal amount and interest thus ensuring that all expected returns are received.
- In respect of accounts receivable, testing found that invoices are promptly raised, credit notes are rarely needed, and aged debts are promptly reviewed and followed up. This helps to ensure that income is promptly received, as demonstrated that there are few aged debts.
- Testing of invoices paid confirmed that all were correctly authorised with a separation of duties being demonstrated, helping to ensure that invoices were correctly paid. This is further supported by checking and authorisation of weekly BACS payment runs.

- New suppliers and supplier amendments are listed on a report which is checked and signed off as part of each week's reconciliation payment run. Sample testing confirmed that bank details are verified with the supplier using contact details from Google or records independent to the notification, reducing the risk of fraudulent changes.
- Norfolk County Council (NCC) run the payroll on behalf of the Broads Authority, in accordance with a monthly timetable. Monthly pay runs are reviewed, including an investigation into any differences over £50 compared with the previous month and a review of any claims. Pay runs are reproduced and rechecked when any errors are corrected by NCC, and the final pay run is authorised prior to payment.
- Payroll starters, changes, and leavers are supported by fully completed and authorised forms, and are correctly processed as was confirmed from pay run data and removal of leavers from the pay runs. Claims for overtime, allowance, travel and subsistence are also correctly authorised and processed. This helps to reduce the risk of overpayments being made.
- The control accounts for sales ledger, purchase ledger and payroll, along with the bank accounts and the suspense account, are reconciled to the general ledger on a monthly basis. Documentation demonstrates these have been promptly undertaken and independently signed off, helping to provide assurance that all transactions have been processed correctly.
- Toll charges were approved by the Broads Authority, as per publicly available meeting minutes. Notifications of the new charges were made in advance of the financial year, helping to ensure awareness of the fees needing to be paid.
- There is a process of inspections in place to identify any vessels without permits, and audit testing of permits issued confirmed that payment had been received in all cases. Review of a contraventions report confirmed that unpaid tolls are promptly followed to ensure as much income as possible is received in a timely manner.
- The Tolls Management System (TMS) posting reports data is reconciled to the Dimensions financial system on a daily or weekly basis, depending on the time of year, in order to ensure data on the two systems matches.

ISSUES TO BE ADDRESSED

Recommendations and Operational Effectiveness Matters

There are no recommendations or operational effectiveness matters for management to consider.

Previous audit recommendations

No recommendations arose as part of the previous audit review.

Assurance Review of Procurement

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Compliance with procurement/contract legislation (including GDPR), contract standing orders and procurement strategy	0	4	3	2
Contract Management Framework including contract register	0	0	0	4
Total	0	4	3	6

SCOPE

The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over the Procurement process.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of four 'Important' and three 'Needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised six 'operational effectiveness matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- The previous report on Procurement was issued in October 2013 (BA/14/02), with a 'Reasonable' assurance having raised four 'Important' and two 'Needs attention' recommendations which have since been confirmed as implemented. This indicates an unchanged direction of travel since the previous audit in this area.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Procurement

- The Procurement Strategy is up to date and readily available to all members of staff on the Broad Authority's intranet. This provides the Broads Authority with clear direction enabling greater efficiencies including selecting the best procurement route and demonstrating value for money.

Contract Management

- The contract register is reviewed and updated on a quarterly basis, the register being formatted to highlight contracts that are due to expire within six months; copy of contract is still outstanding; and contract expired and urgent action required. This enables the Broads Authority to effectively manage progress with its contracts in a timely manner, reducing the risks that contracts are not uploaded and expire without required action taken.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where four 'Important' recommendations have been made.

Procurement

- To ensure that the Broads Authority seal is applied to all contracts over £100k and subsequently recorded in the Authority's record of sealed documents. This helps mitigate the risk that the contract is not formally recorded and or is mislaid leading to contract terms not being correctly applied, with no recall for the authority in the event of disputes.
- To ensure that waivers are completed for all procurements which exceed the £5K threshold and where the requirement in CSOs to obtain three written quotations, is not applied. This helps mitigate the risk of inadequate probity, transparency and equality in the procurement of works, goods and services leading to the non-achievement of value for money.
- The Procurement guidance is reviewed and updated and version controlled including the inclusion of up to date procurement thresholds, including those relating to OJEU requirements. This assists in mitigating the risk that CSOs are not complied with and failure to achieve value for money.
- A procurement project/contract risk assessment is produced to score each project which is referred to in the Procurement Strategy. This mitigates the risks of choosing an unsuitable procurement method and inappropriate supplier and not having the necessary resources in place to effectively manage the contract.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Procurement

- CSOs are amended to reflect the current processes in relation to the authority's standing list and to remove reference to the Solicitor and Monitoring Officer. This helps reduce the risk of inconsistent practices being followed leading to agreed practices not being adhered to.
- To consolidate the standard terms document with the contract conditions outlined in the CSO to have an overall set of terms and conditions mitigating the risks of delay in services/goods and quality of goods leading to financial loss and possible poor reputation.
- Procurement training is provided to all relevant members of staff, and Members, where applicable. This helps reduce the risk of non-compliance with CSOs and OJEU requirements

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

Procurement

- The procurement guidance be updated to state that the budget holder should check and ensure that sufficient budget is in place to cover the whole life spend of the procurement. This helps reduce the risk of inadequate budget for the entire life of each procurement.

- A central repository is used to keep all quotations received for contracts/work. This would improve document management and efficiency in relation to document retrieval reducing the risk that contract standing orders are not adhered to and best value/VFM cannot be demonstrated.

Contract management

- Contracts are checked by Finance for any notice periods that need to be applied and these are included on records held by Finance. I.e. the internal version of the contract register. Currently this check does not occur which would help reduce the risk of contracts being terminated not in accordance with the contract terms.
- Contract Standing Orders are amended to include a specific section on contract variations around the lines of - All requests to suppliers to amend any contract or requirement must be made in writing and must include authorisation at the same level as the original instruction or at a higher level if the level of expenditure exceeds the original authorisation levels. When the Purchase Order has been issued, any changes in the requirement must be notified to the supplier in writing by an amendment to the Purchase Order and if relevant a Contract Variation.
- A post implementation review (PIR) is undertaken of larger scale contracts, the level at which these PIRs are undertaken to be decided by Management team , taking into account the value of contract and risk associated with it. PIRs provide a method for the authority to learn lessons for future procurements/contracts and helps to reduce the risk that similar mistakes happen again.
- Management team minutes to include confirmation of what was concluded from the analysis of spend and if any further actions are required to address any issues identified. Currently, the minutes just state that the analysis of spend was reviewed without any conclusion.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

Assurance Review of Corporate Governance and Risk Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Risk Management	0	0	1	2
Governance arrangements for decision making	0	0	0	0
Accountability and monitoring of performance	0	1	0	3
Total	0	1	1	5

SCOPE

The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over Corporate Governance and Risk Management.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised five 'operational effectiveness matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- The previous audit of Corporate Governance and Risk Management also concluded in a 'Reasonable' assurance opinion, having raised two 'important' and five 'needs attention' recommendations. This indicates a positive direction of travel.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Risk Management

- The Risk Management Policy, which includes risk prioritisation/risk matrix and risk tolerance levels, provides an overarching framework for the authority's risk management process, including the rules and standards for managing strategic and operational risk, and guides staff in assessing, monitoring and managing risk on a day-to-day basis.
- There is a specific page available on the authority's intranet (SharePoint) which is dedicated to risk management. This enables staff to have access to the current Corporate Risk Register and Risk Management Policy.
- The authority has now rationalised and streamlined its strategic risks which were 22 in total. The new approach to risk management now includes scope for both strategic/corporate risks and operational/Director risks which has resulted in a Corporate Risk Register comprised of 10 risks. This provides a more manageable amount at this level resulting in members and management team focusing attention on the key risks which may adversely affect the achievement of the authority's strategic priorities.

Governance arrangements for decision making

- The Monitoring Officer oversees the decision-making process and attends all full Broad Authority committee meetings. This helps ensure that decisions are made in accordance with the constitutional documents and councillors and officers conduct is in adherence to the code of conducts.

Accountability and monitoring of performance

- An annual business plan is published on the authority's website containing the strategic priorities of the authority. This underpins the 2017 - 2022 Broads Plan, and clearly highlights the priorities in which the Broad Authority are lead partner for. This helps demonstrate part of the 'golden thread' i.e. how the performance of the strategic priorities are aligned to the main corporate plan of the authority.
- Progress on all 2019/20 Broads Plan objectives are reported to the full Broads Authority on a six-monthly basis and published on the website. The Authority's smaller set of headline strategic priorities are reported to the full Broads Authority each time it meets. This facilitates regular updates to the executive body responsible for decision taking and overseeing all strategies, policies and priorities of the Authority

ISSUES TO BE ADDRESSED

The audit has also highlighted the following areas where one 'important' recommendation has been made.

Accountability and monitoring of performance

- The 2019/20 National Park Authority (NPA) family indicator composite data is formally reported to Management Team to review comparison data with the national park family and take further action as required, to address any adverse areas of performance. Going forward, each set of annual family indicator composite data is reported to management team. This should include reviewing whether a meaningful target can be set for each indicator. This helps reduce the risk that the Broads Authority is not capitalising on its strengths and not focussing on any areas of weakness/adverse performance.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Risk Management

- The Operations Directorate risk register be completed as part of the Individual Performance Preview (IPR) process. This helps to mitigate the risk that the Corporate Risk Register does not take into account any directorate risks requiring escalation to the corporate level.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

Risk Management

- A specific risk appetite statement be defined within the Risk Management Policy, which complements the risk tolerance levels. This would help provide a more definite basis over the level of risk the authority is prepared to accept, and which risks require additional action/mitigation.

- In addition to the risks being scored as initial (before any existing controls/mitigation being applied, this is the inherent risk) and revised (after existing controls/mitigation, this is the current/residual risk), a target risk score is assigned. This clearly shows which risks are being managed to within the risk appetite on existing controls and those risks which require additional mitigation. This helps reduce the chances of risks being misunderstood or not properly mitigated in line with the risk tolerance of the Authority.

Accountability and monitoring of performance

- The website link to the six-monthly newsletters, in future Annual Business Plans be checked to ensure this link is up to date and correct and links to the correct page on the Broads Authority Website.
- Annual family indicator outturn data is published on the BA website which should include reviewing whether a meaningful target can be set for each indicator for which the Broads authority is the data source.
- Consideration is given to whether the state of the park indicators, for which the Broads Authority is the data source for, can be collected annually and reported in the annual business planning process.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which two remain outstanding (recommendation numbers 3 and 5) which relate to ascertaining feedback on the Risk Management process and identifying any training needs at all levels across the authority; and Corporate Risk Register reports to the Audit and Risk Committee containing an explanation of risks that have changed from the previous register. These were discussed with management and revised deadline dates agreed.

Other points noted

The audit of 'Governance arrangements for decision making' was limited to a high-level review due to the outcomes from the authority's legal advisers (Birketts Solicitors) review of the constitutional documents, not being received prior to the audit taking place.

It was not possible to check if the Corporate Risk Register (CRR) is being reviewed by the Audit and Risk Committee (ARC) and Management Team twice yearly, because the revised CRR was first reported to the ARC in November 2019 and therefore the next report is not yet due.

APPENDIX 4 – AUDIT RECOMMENDATIONS

			Completed bt 01/04/2019 to 31 March 2020			Outstanding			Total	Not yet due for implementation		
Audit Ref	Audit Area	Assurance Level	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Outstanding	Priority 1	Priority 2	Priority 3
2018/19 Internal Audit Reviews												
BA1901	Corporate Governance and Risk Management	Reasonable		2	3							
BA1904	Disaster Recovery	Reasonable		1	4							
BA1903	Branding	Reasonable			4			2				
2019/20 Internal Audit Reviews												
BA2001	HLF External Funding	Reasonable		2	3		1					
BA2003	Procurement	Reasonable		3	1		1	1				1
BA2004	Corporate Governance and Risk Management	Reasonable									1	1
TOTALS			0	8	15	0	2	3	0	0	1	2

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BA1903 Branding	Recommendation 2: The Broads Authority Communications Policy be updated to include the roles and responsibilities for overseeing management of correct branding. This should be included within a separate branding section which the policy does not currently have.	3	Agreed	Head of Communications	31/10/2019	30/09/2020	Outstanding	The new communications strategy has been delayed by COVID-19 comms activity. Although many elements of the strategy have been completed, We anticipate it will be in place by the end of September 2020
BA1903 Branding	Recommendation 5: A review and update of the communications page on the authority's intranet be undertaken once the national Parks branding strategy and associated documents, including the local broads national park strategy and Broads Authority Communications Policy, are finalised.	3	Agreed	Head of Communications	31/10/2019	30/09/2020	Outstanding	Awaiting completion of the new communication strategy (see BA1903 above)
BA2001 HLF - External Funding	Recommendation 1: The Broads Authority Business Continuity Plan is reviewed and updated to take into account the recent organisational re-structure and to ensure major projects such as the WMM Project are provided for.	2	Agreed	Head of Governance	31/12/2019	30/08/2020	Outstanding	The Business Continuity Plan has been updated and will be considered by Management Team in July 20 before the arrangements are finalised and put in place. The Corporate Risk Register (previously named Strategic Risk Register) has also been updated, to include staffing contingency plans for each Directorate in the event of key staff leaving the Authority. A cross reference to these arrangements in the BCP will be added.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BA2003 Procurement	Recommendation 4: A procurement project/contract risk assessment is produced, and referred to in the Procurement Strategy, to score each project prior to the commencement of the procurement process. This is issued to assess the type of procurement activity undertaken, i.e. framework, partnership arrangements.	2	Agreed.	Chief Finance Officer	31/03/2020	31/07/2020	Outstanding	Draft strategy ready for approval by MT, updated to July ARC
BA2003 Procurement	Recommendation 6: To consolidate the standard terms document with the contract conditions outlined in the CSOs to have an overall set of terms and conditions. These should be consolidated in conjunction with the Broads Authority's legal advisor and included within the CSOs.	3	Agreed.	Chief Finance Officer	20/03/2020	30/07/2020	Outstanding	Templates drawn up with Birketts, currently being finalised, Update to end of July 2020.

APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit and Risk Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2019/20 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit briefs and reports.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit's assessment of controls relating to the Broads Authority is for the year ended 31 March 2020. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA Ltd examinations as the Authority's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Audit and Risk Committee

21 July 2020

Agenda item number 9

Draft Model Member Code of Conduct

Report by Monitoring Officer

Summary

To consider a consultation by the Local Government Association (LGA) on their draft Model Member Code of Conduct

Recommendation

That, having considered this report, and the draft Model Member Code of Conduct (the Model Code) published by the LGA, this Committee considers if it wishes to comment on it, and if so, these comments be submitted to the LGA before the consultation closes on 17 August 2020.

1. Introduction

- 1.1. As part of the Localism Agenda, the Government made changes to the standards regime for local authorities, including the Broads Authority (BA), when they introduced the Localism Act in 2011 (the Act). Under s27 of the Act, the BA has a duty to promote and maintain high standards of conduct by its Members. The Act also said that each authority had to have a Code of Conduct, but it was at each authority's discretion as to the contents. The BA has its own Code of Conduct (the Code) which can be found at Appendix 1.
- 1.2. The Code must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any Members who breach the Code. Under the Act, these sanctions cannot include suspension or disqualification from office, for example, but may include censuring the Member found to be in breach, or requesting that they undertake training, mediation, or issue an apology for their behaviour. Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence under the Act.
- 1.3. The Committee on Standards in Public Life (CSPL) reviewed ethical standards in local government in 2018/19. The CSPL produced a report on their review, in January 2019, which made 26 recommendations to Government. The first recommendation was that the LGA should produce a draft, national, model code of conduct (the Model Code). A

link to the CSPL report and recommendations can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/777315/6.4896_CO_CSPL_Command_Paper_on_Local_Government_Standards_v4_WEB.PDF

- 1.4. To date, due to Brexit and now, the COVID-19 pandemic, the Government has not responded to the CSPL's report. Meanwhile, the LGA was committed to producing the Model Code, as recommended by the CSPL's report.
- 1.5. The LGA have now published the Model Code and are consulting on it, from 8 June 2020 to 17 August 2020. They have produced a questionnaire for Members and Officers to respond to, about the Model Code.
- 1.6. The Audit and Risk Committee (ARC) has in its terms of reference; "To review and assess the policies, procedures, and practices established by the Broads Authority to monitor conformance with its code of conduct and ethical policies and provide oversight of the mechanisms established by management to establish and maintain ethical standards". Given the ARC's responsibility to monitor conformance with the Code, and to provide oversight of the mechanisms to establish and maintain ethical standards, it would seem relevant for the ARC to consider the Model Code and to comment on it, if Members wish. The Model Code can be found at this link:
<http://www.local.gov.uk/sites/default/files/documents/LGA%20Model%20Member%20Code%20of%20Conduct.pdf>
- 1.7. The purpose of the Model Code is to assist Members in setting the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect Members, the public, fellow Members, the BA's Officers and the reputation of local authorities, generally. The overarching aim is to create and maintain public confidence in the role of Members and local authorities.
- 1.8. To produce the Model Code, the LGA held an event on Civility in Public Life with a range of stakeholders at the end of last year and three consultation workshops at the beginning of this year. They engaged consultants to examine examples of good practice, both in local government and other professions, and to draft the Model Code.
- 1.9. The LGA intend to create additional guidance, working examples and explanatory text, to go with the Model Code. Note that some of the changes proposed in the Model Code will require a change to the Act. For example, it is not possible under the Act to impose sanctions on those found to have breached their code of conduct. For sanctions to be imposed, such as suspension from office for those found in breach, the Act will need to be changed.
- 1.10. A short summary of what is in the Model Code is set out in this report. There is an online consultation questionnaire for both Members and Officers to complete. It consists of 17 questions about the Model Code. The LGA are also happy to receive

written responses from authorities or stakeholder groups via email at ModelCode@local.gov.uk

- 1.11. This email address can also be used if there are any questions regarding the consultation and the Model Code. Details about the consultation can be found here: <http://www.local.gov.uk/code-conduct-consultation-2020>
- 1.12. The LGA will also be holding a number of webinars on the Model Code, on 29 July, 30 July and 5 August. The details of these webinars are on the LGA's events page on their website. The feedback from the consultation will help the LGA develop a final draft, which will be reviewed by the LGA's Executive Advisory Board before being presented to the next LGA General Assembly, which they hope will be held in the Autumn of 2020.
- 1.13. The ARC is asked to comment on the Model Code. The comments made on the Model Code can be submitted to the LGA. Please note that Members can also make individual responses, directly to the LGA, via the questionnaire or the email address-see the links above.
- 1.14. The main differences between the Code and the Model Code is that, firstly, the Model Code marks a return to a national code which all authorities would be bound by. A national code gives consistency and certainty, in terms of standards of behaviour for all Members. Once finalised, it could be adopted in whole, or part, by the BA, or not at all.
- 1.15. The Code applies when Members carry out BA business. It does not apply to actions or behaviour carried out when a person is acting in an individual, private capacity. The Model Code would apply when Members are acting or claiming or giving the impression that they are acting in public or in their capacity as a Member or representative of their authority. It also applies to all forms of Members' communications or interactions, including written, verbal, non-verbal, electronic and via social media, including where Members could be deemed to be representing their authority or if there are potential implications for the authority's reputation. So, the application of the Model Code is wider than the Code. It provides clarity and certainty in terms of social media. It is often uncertain, under the Code, whether or not a Member is posting in that capacity, or as a private individual. Given new ways of working, such as having remote meetings, and the increased use of electronic communications, particularly during the COVID-19 pandemic, the LGA is interested to know if the Model Code's wider ambit is helpful.
- 1.16. As with the Code, the Model Code has been developed in line with the seven principles of public life, which are Integrity, Selflessness, Openness, Honesty, Accountability, Leadership and Objectivity. It also has some "Expectations" about "Model Member Conduct", setting out guidelines as to how Members should behave. The Expectations are that Members should;
 - act with integrity and honesty
 - act lawfully
 - treat all persons with civility; and

- lead by example and act in a way that secures public confidence
- 1.17. Also, it is expected that, in undertaking their role, they will:
- impartially exercise their responsibilities in the interests of the local community
 - not improperly seek to confer an advantage, or disadvantage, on any person
 - avoid conflicts of interest
 - exercise reasonable care and diligence; and
 - ensure that public resources are used prudently and in the public interest
- 1.18. There are 12 specific obligations of general conduct which set out the minimum requirements of Member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where Members act or claim or give the impression that they are acting as a Member or in public, including representing their authority on official business and when using social media.
- 1.19. The Model Code focusses on the idea of showing “civility”, or politeness and courtesy. Under Obligation 1, civility should be shown to other Members and members of the public. Under Obligation 2, employees of the BA, employees and representatives of partner organisations, and those volunteering for the BA should be treated with civility and respect for the roles which they play. What amounts to civility or respect can be dependent on the facts and requires a subjective judgement to decide. It is suggested, however, that criticising ideas and opinions is acceptable, but making personal or abusive comment would be showing a lack of civility.
- 1.20. The Code and the Model Code are very similar, in relation to the Specific Obligations in the Model Code numbered 3-10. Included are Obligations not to bully or harass others, not to compromise the impartiality of Officers, not to disclose confidential information, not to bring the BA into disrepute, not to use one’s position as a Member improperly to gain advantage/disadvantage for oneself, and not to misuse the authority’s resources.
- 1.21. However, the Model Code says that Members should not accept “significant” gifts or hospitality which they are offered from those looking to do business with the BA, or those submitting applications for licenses, consents or permissions. The word “significant” is not defined in the Model Code, but this outright prohibition is new. However, the threshold for Members having to declare the receipt of gifts and hospitality remains at £25, a figure which was in the pre-2012 former national model code of conduct.
- 1.22. Also, in terms of the declaration of interests, currently, under the Act, Members have to declare their own disclosable pecuniary interests (DPIs) and those of their spouse or partner. The requirement to declare DPIs is set out in the Act. The LGA have proposed that Members would need to declare their DPIs and those of “family members and associates”. A change to the legislation would be required to allow for this wider

application. However, it is the case that if Members are considering planning applications, for example, submitted by family members other than their spouse or partner, strictly, they do not have a DPI in that item of business. Yet, clearly, they have a conflict of interest and would be likely to be advised not to take part in that item of business. The widening of the definition of DPIs would mark a return to the wording which was found in the pre-2012, national code.

2. Financial implications

- 2.1. The Model Code is a draft document that is being consulted on at the moment. There are no direct costs associated with this consultation exercise for the BA.

3. Conclusion

- 3.1. The BA has a duty to promote and maintain high standards of behaviour and conduct. The BA's Code is a key standard in the authority's ethical framework. If the Model Code is finalised, it might be something which the BA would want to adopt, in whole, or in part. With this in mind, it would seem appropriate and expected, therefore, that the BA might wish to comment on a national consultation, and to have a say on what the Model Code might consist of.

Author: Hilary Slater

Date of report: 14 July 2020

Background papers: Local Government Association Model Member Code of Conduct

[Broads Plan](#) objectives: Good governance underpins all of the objectives

Appendix 1 – Broads Authority Code of Conduct for Members



Code of Conduct for Members and Complaints Procedure

November 2018

Version 2.2

Updated 23.11.18

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Introduction and Overview

- 1.1 This revised Code of Conduct for Members (“the Code”) adopted on 30th September 2016 sets out the conduct which is expected of members and co-opted members (“Members”) of the Broads Authority (“the Authority”) when they are acting in that capacity, as required by section 27 of the Localism Act 2011.
- 1.2 The Nolan Report set out the seven Principles of Public Life, which are incorporated into the Code as required by section 28 Localism Act 2011. The Authority also has a statutory duty under section 27 of the Act to promote and maintain high standards of ethics and conduct by its Members.
- 1.3 Members will be offered training on the Code whether by the Monitoring Officer or from a representative body and the Authority expects all Members to take advantage of such training, including refresher courses, to ensure that they are fully aware of the provisions of the Code and the standards expected of them in public.
- 1.4 Members are also urged to avail themselves of the Local Resolution Procedure under the Code for dealing with Member versus Member complaints and other disagreements and to ensure the effective use of the Authority’s resources. The aim of Local Resolution is to resolve matters at an early stage so as to avoid the unnecessary escalation of the situation which may damage personal relationships within the Authority and the Authority’s reputation.
- 1.5 The following pages set out the Code and guidance and it is intended to be consistent with the seven principles. It is also not an exhaustive list of all legal obligations, which fall upon Members and does not discharge members from their duty to ensure that at all times they act within the seven principles attached to the Code. The Authority also has its core values, which Members are asked to observe and follow. These are set out in section 2.
- 1.6 Members must ensure that they take appropriate action in relation to any Disclosable Pecuniary Interest. Failure to do so may result in a criminal conviction and a fine of up to £5,000 and/or disqualification from office for a period of up to 5 years.
- 1.7 Members should comply with the Code whenever they are acting in their official capacity as a Member including at full meetings, committee meetings and sub-committee meetings. The Code also applies to Members’ dealings with each other, with outside bodies, briefing meetings with officers, site visits, use of social media and in communication with the Authority, other than in a private capacity.
- 1.8 Freedom of expression is a right, which applies to all Members of the Authority. A Member’s freedom of expression attracts enhanced protection where the comments are political in nature. The criticism of opposing ideas

and opinion is considered to be part of democratic debate and it is unlikely that such comments would amount to a breach of the Code. Comments that breach the principle in paragraph 2.8 below may, in contrast, be a potential breach of the Code.

- 1.9 Members' attention is drawn to the Protocol on Member and Officer Relations in the Broads Authority, which sets out expectations of Members' conduct towards staff. The Authority has a Staff Code of Conduct for its staff which includes guidance on staff relations with Members, including on social media.
- 1.10 Members' attention is also drawn to the Authority's Standing Orders, which includes guidance on conduct within meetings of the Authority and its committees, including sanctions for disorderly conduct by Members within such meetings.
- 1.11 The Authority adopted in July 2017 Social Media Guidance for Members and Officers ¹.

2 Principles of Conduct and Core Values

Principles of Conduct

- 2.1 The Code promotes the highest standards of ethics and conduct and draws upon the Nolan principles of conduct as follows:

2.2 **Selflessness**

Members must act solely in the public interest. They must never use their position as Members improperly to confer an advantage on, or to avoid a disadvantage for, themselves or improperly to confer an advantage or disadvantage on others.

2.3 **Integrity and propriety**

Members must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. Members should not act or take decisions in order to gain financial or other material benefits for themselves, their families or friends. Members must declare and resolve any interests and relationships.

Note: Members should avoid putting Authority staff in breach of their own Code of Conduct, such as adding them as friends on social media platforms such as “Facebook”. Members should familiarise themselves with the Protocol on Member and Officer Relations in the Authority.

2.4 **Objectivity in decision making**

In carrying out their responsibilities including making appointments, awarding contracts, or recommending individuals for rewards or benefits, Members must make decisions on merit. Whilst Members must have regard to the professional advice of officers and may properly take account of the views of others, it is their responsibility to decide what view to take and, if appropriate how to vote on any issue.

2.5 **Accountability**

Members are accountable to the public generally for their actions and for the way they carry out their responsibilities as a Member. They must be prepared to submit themselves to such public scrutiny as is appropriate to their responsibilities.

2.6 **Openness**

Members must be as open as possible about all their actions and those of the Authority. They must seek to ensure that disclosure of information is restricted only in accordance with the law. Members should be transparent through being prepared to give reasons for their decisions and actions.

2.7 **Honesty**

Members must declare any private interests relevant to their public duties and take steps to resolve any conflict in a way that protects the public interest. Interests must be registered and declared in a manner which conforms to the procedures set out below.

2.8 Leadership

Members must promote and support these principles by leadership and example so as to promote public confidence in their role and in the Authority. They must respect the impartiality and integrity of the Authority's statutory officers and its other employees. Members should be willing to support the Code and willing to challenge poor behaviour whenever it occurs.

Note: The Protocol on Member and Officer Relations section 3 provides that officers can expect from Members leadership and that they take responsibilities for decisions made by the Authority and for defending them publicly.

2.9 Stewardship

In discharging their duties and responsibilities, Members must ensure that the Authority's resources are used both lawfully and prudently. They must ensure that the Authority's resources are not used improperly for political purposes (which include any party political purposes). Expenses must be claimed in accordance with the Authority's guidance and supported by receipts, and claimed reasonably promptly.

2.10 Confidentiality

Members must not disclose any information given to them which should reasonably be regarded to be of a confidential nature, including items discussed in the confidential sections of meetings. This duty of non-disclosure may no longer apply where either the consent of the person authorised to give it has been obtained, or there is a legal requirement to disclose. If in doubt, Members are encouraged to seek the views of the Monitoring Officer.

Note: The Protocol on Member and Officer Relations in the Broads Authority section 8 on Disclosure of Information by Members sets out the procedure in relation to disclosure of confidential information, which involves 72 hours prior notification in advance to the Chief Executive or Monitoring Officer. The Information Commissioner has issued helpful guidance on the Freedom of Information Act and General Data Protection Act which is available on the ICO website www.ico.gov.uk or by calling 0303 123 1113.

2.11 Equality and respect

Members must treat others with respect and promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their sex, race, age, religion, gender, sexual orientation or disability. Members should respect the impartiality and integrity of the Authority's statutory officers and its other employees.

Note: The Protocol on Member and Officer Relations sets out in detail the roles and responsibilities and the working relationships between Members and officers. Section 3 sets out expectations that each can expect from the other respect and courtesy and the highest standards of integrity.

Core Values

- 2.12 In addition to the principles of conduct, Members should, so far as possible, reflect the Authority's Core Values, which have been drawn up by the Authority's staff and adopted by the Authority:
- 2.13 **Commitment** – We are committed to making a difference to the Broads for the benefit of all and we will have the courage of our convictions when faced with difficult decisions.
- 2.14 **Caring** – We are considerate and respectful of each other, working together to provide the best service we can.
- 2.15 **Open and honest** – We are open, honest and inclusive in our communication and in making decisions. We are approachable and available, reaching out to all groups.
- 2.16 **Sustainable** – We take the long-term view, are passionate about our environment and its ability to provide for a vibrant local economy and the well-being of local people.
- 2.17 **Exemplary** – We strive for excellence in all we do. We are ambitious, innovative and lead by example

3 Registering and declaring disclosable pecuniary and other non-pecuniary registrable interests and gifts

- 3.1 A Member must within 28 days of taking office as a Member notify the Monitoring Officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State. This applies whether that interest is their own, their spouse's or civil partner's, or is the interest of someone with whom they are living with as a husband or wife, or as if they were civil partners. The interest will be included in the Authority's register of interests (a copy of which is available for public inspection and published on its web site).
- 3.2 In addition to 3.1, Members must within 28 days of taking office as a Member notify the Monitoring Officer of any disclosable pecuniary or non-pecuniary interest which the Authority has decided should be included in the register.
- 3.3 If an interest above has not been notified or entered in the register, then the Member must disclose the interest to any meeting of the Authority at which they are present, where they have disclosable interest in any matter being considered and where the matter is not a "sensitive interest" as described in the Localism Act 2011. In relation to sensitive interests, which include any concern that disclosure might lead to the Member being subject to violence or intimidation, Members should speak to the Monitoring Officer, who may agree to exclude details from any publicly available version of the register of interests.
- 3.4 Following disclosure of an interest not on the Authority's register or the subject of pending notification, Members must notify the Monitoring Officer of the interest within 28 days beginning with the date of disclosure.
- 3.5 Unless dispensation has been granted, a Member may not participate in any discussion of, vote on, or discharge any function related to any matter in which they have a pecuniary interest as set out in 3.1 above. In addition a Member must observe the restrictions the Authority places on their involvement in matters where they have a pecuniary or non-pecuniary interest as defined by the Authority.

Disclosure of interests at meetings

- 3.6 Where an interest described above or in the following paragraph in any business of the Authority has been declared and, where a Member is aware or ought reasonably to be aware of the existence of that interest and they attend a meeting of the Authority at which the business is considered, the Member must disclose to that meeting the existence and nature of that interest at the commencement of its consideration. If not apparent in advance from any agenda, as soon as the interest becomes apparent as being relevant to the business under consideration a Member must immediately declare it.
- 3.7 Members have a personal interest in any business of the Authority where a decision in relation to that business might reasonably be regarded as affecting their well-being or financial position or the well-being or financial position of a

member of their family or any person with whom they have a close relationship to a greater extent than the majority of other Toll payers or inhabitants of the Authority's geographical area or "National Park area", as the case may be, affected by the decision.

Non-participation in the case of other prejudicial interest

- 3.8 Where Members have a personal interest (as set out in 3.7 above) they will also have a prejudicial interest, if the following also applies. That is, on an objective analysis, Members' judgement of the public interest would be affected through their financial position or that of a person or body which has been, or should have been, notified in the register of interest by the Member. The test to be applied is whether a member of the public with knowledge of the facts would reasonably regard the pecuniary interest as so significant that it would prejudice the Member's judgment.
- 3.9 Where there is such a prejudicial interest, the Member must not participate in any discussion of, vote on or discharge any function related to such prejudicial interest. An application may be made for special dispensation from the Authority in relation to this and the Member must observe any restrictions placed by the Authority in such circumstances.
- 3.10 There are some subject areas in relation to the Authority which, once an interest has been disclosed, a Member may nonetheless attend a meeting and vote. These include:
- Setting of Tolls, where the extent of the interest is limited to owning a boat and thereby paying a Toll.
 - Matters relating to schools, when the Member is a parent, guardian or governor of a child at a different school in the area. These include school meals, school transport and expenses.
 - An allowance, payment or indemnity given to Members
- 3.11 There are other subject areas which may apply in local government, but it is considered that these are unlikely in practice to apply to Members of the Authority. Please ask your Monitoring Officer for further information.

Gifts and hospitality

- 3.12 Members must declare all gifts, benefits or hospitality with a value of over £25. Members may also, if they wish declare those with a value below this level. The Monitoring officer will enter details of the gift on a public register of gifts and hospitality.

4 Complaints Procedure

- 4.1 The Localism Act provides that, where there are complaints of misconduct, the Authority must have in place arrangements under which allegations can be investigated and arrangements under which decisions on allegations can be made. The following procedure applies to complaints made against a Member by another Member, or by officers or any other person.
- 4.2 In relation to officers, a complaint should be after consultation with their Director and may be made in relation to a breach of the Protocol on Member and Officer Relations.

Making a complaint

- 4.3 The complaint should be made to the Monitoring Officer in writing or by e-mail. The address is:

Monitoring Officer, Broads Authority, Yare House, 62-64 Thorpe Road,
Norwich NR1 1RY

E-mail address: Hilary.slater@broads-authority.gov.uk

- 4.4 A copy of the complaint form, which should be used for all complaints, is attached at Appendix 1. This form should also be used for making a complaint under the Local Resolution Procedure. Completion of a Complaint Monitoring Form at Appendix 1a is also requested, but is not compulsory. Complaints should be made within 3 calendar months of the matter complained of, unless the complainant can provide a good reason for not having done so.
- 4.5 In order to make a complaint, a Member will need to have reasonable belief that there has been a breach of the Code. In order to have a reasonable belief that a breach has occurred, there will need to be direct evidence which supports the complaint. Members should consult the Monitoring Officer for advice if they are in doubt. Where the breach is a very minor or technical one, or where there is no clear evidence that a breach occurred, the Monitoring Officer may advise Member of the likely threshold and suggest that the matter might be more appropriately dealt with through the Authority's Local Resolution Process.
- 4.6 Once received a complaint will be acknowledged by the Monitoring Officer within five working days.

Confidentiality

- 4.7 As a matter of fairness and natural justice the subject Member should usually be told who has complained about them and received details of the complaint. However, in exceptional circumstances, the Monitoring Officer may withhold the complainant's identity if on request they are satisfied that the complainant has reasonable grounds for believing that they or any witness relevant to the complaint may be at risk of physical harm, or his or her employment may be jeopardised if their identity is disclosed, or where there are medical risks

(supported by medical evidence) associated with the complainant's identity being disclosed.

- 4.8 If a request for confidentiality is refused, the Monitoring Officer will explain the reason and give the complainant the option to withdraw the complaint, rather than proceed with his or her identity being disclosed.
- 4.9 The complaint will be acknowledged and the subject Member will be informed that a complaint has been made about him or her. Such notification will state that the complaint has been made; the name of the complainant (unless the complainant has requested confidentiality and this is being upheld, brief details of the complaint and the paragraphs of the Code which may have been breached. In very limited situations, the subject of the complaint may not be notified, in which case the Monitoring Officer will record his reason. Such situations may be where it is not reasonably possible to identify who the subject of the complaint might be.
- 4.10 Where specific details of complaints are passed to the local press and media, or posted on social media, this may prejudice an investigation and may also be a breach of the Code. Well-founded breaches of the Code should be reported to the Monitoring Officer and Members making allegations should not generate publicity in advance of the outcome of the complaint.

Initial Assessment

- 4.11 In determining whether to investigate a complaint, the Monitoring Officer will adopt a three-stage process, all in consultation with an Independent Person. At each stage the Monitoring Officer may request further clarification or documentation from the complainant, without this forming part of any investigation.

Stage 1 – The Monitoring Officer will decide whether the complaint is within the Authority's jurisdiction or "capacity", which will include consideration of the paragraphs of the Code to which the complaint might relate. If there is no jurisdiction then the complainant will be informed that the complaint will not be considered further.

Stage 2 - The Monitoring Officer will decide whether there is direct evidence that a breach took place. The level of proof will be on the balance of probabilities, that is to say, whether it is more likely than not. If there is no direct evidence, or if the complaint is considered to be vexatious (see paragraphs 4.20 and 4.21 below), or the matters complained of took place more than 3 months ago and there is no satisfactory explanation for the delay provided, then the complaint will be dismissed.

Stage 3 – The Monitoring Officer will decide whether the complaint is suitable to be dealt with within the Local Resolution Procedure, or whether it should be the subject of a full investigation. The criteria which will be used for this analysis are set out in Appendix 2.

Local Resolution Procedure

- 4.12 The Local Resolution Procedure is a process for low-level complaints including those made by one Member against another.
- 4.13 If the Monitoring Officer, in consultation with the Independent Person, decides to refer the matter to local resolution, then the complainant will be informed within 5 working days and the Local Resolution Procedure shall then apply (see section 5 below).
- 4.14 The criteria for referring the matter to the Local Resolution Procedure will include the following:
- Complaints that one member has failed to show respect and consideration for others
 - Complaints that one Member has made vexatious, malicious or frivolous complaints towards another.
 - Other low-level complaints which in the opinion of the Monitoring Officer, following consultation with an Independent Person, are suitable for informal resolution.

Formal Investigation

- 4.15 If the matter is to be fully investigated, as opposed to being dismissed or referred to the Local Resolution procedure, the Monitoring Officer will appoint an Investigating Officer who will prepare an initial report and recommendation. An Investigating Officer may be an officer or solicitor of another authority or a person independent of local government. When appointing the Investigating Officer, the Monitoring Officer will write to the relevant parties informing them that the matter is to be fully investigated and informing them who will be responsible for conducting the investigation. The Monitoring Officer should give an indication as to likely timescale for the completion of the investigation, which should be within 28 days. Referring a matter for investigation does not mean that there have been any findings of fact. It simply means that the alleged conduct, if proved, may amount to a failure to comply with the Code and that some action should be taken in response to the complaint.
- 4.16 A draft report will be sent by the Investigating Officer to the parties for them to comment on prior to the Monitoring Officer receiving the final version.
- 4.17 The Monitoring Officer will consider the recommendation of the Investigating Officer's report. If the recommendation is that there has been no breach of the Code, the Monitoring Officer will consult the Independent Person. If having taken into account the views of the Independent Person the Monitoring Officer approves the recommendation of the report then the Monitoring Officer will write to the complainant and the Member concerned to inform them that there will be no further action. This will normally be undertaken within 10 working days of the receipt of the report. The Monitoring Officer will give reasons for the decision. There is no appeal or review of that decision by the Authority or any other person.

- 4.18 If the investigation concludes that there is evidence of a breach of the Code then the Monitoring Officer will consult the Independent Person and make a decision either to:
- (a) resolve the matter without the need for a hearing. That may include the application of those sanctions limited to those set out in paragraph 4.30 below. The Monitoring Officer will write to the complainant and the member concerned to inform them of the decision. The Monitoring Officer will give reasons for the decision. There is no appeal or review of that decision by the Authority or any other person; or
 - (b) convene a meeting of the Authority's Hearings Committee, to hear the matter.
- 4.19 In exceptional circumstances it may be considered by the Monitoring Officer and Independent Person that the Chair of the Authority should be invited to consider whether the member should be asked to withdraw from Authority duties pending the outcome of the Hearings Committee. There will need to be reasonable grounds for the belief that such a step is in the interests of the subject Member or the Authority.

Frivolous and Vexatious Complaints

- 4.20 Complaints made against other Members or officers or people working on behalf of the Authority must be based upon fact and not motivated by malice or by political rivalry. Members should avoid making complaints which have little or no substance or where the evidence of any breach is weak or non-existent. Such complaints may be dismissed at the initial assessment stage. In the case of doubt as to whether a threshold has been met, advice should be sought from the Monitoring Officer. The making of frivolous or vexatious complaints may be conduct which will be considered a breach of the Code and dealt with under the Local Resolution Procedure.
- 4.21 Guidance on what circumstances may lead to a determination that a complaint is frivolous or vexatious are set out in Appendix 3. 3.

Local Resolution Procedure

- 4.22 The Authority has adopted this Local Resolution Procedure in order to promote and maintain high standards of conduct amongst members. It is intended to assist in the swift resolution of issues, so as to avoid the unnecessary escalation of the situation which may damage personal relationships within the Authority and the Authority's reputation. This procedure is also intended to resolve matters on an informal basis, where this is appropriate.
- 4.23 For informal resolution of a problem involving a member identified or reported to the Chair, Chief Executive or Monitoring Officer (where a formal complaint has not been made) the request will be passed on to the Chair and Vice-Chair (in the event they are not the original recipient). Confidential meetings will then be arranged between relevant parties with the Chair and Vice-Chair to engage in the process and seek a resolution to the issues raised. Any meetings may take place at the Authority's offices or other locations as is convenient. The process will be confidential and without prejudice to the parties involved to bring a formal complaint if the matter is not resolved. In the event that the matter is not resolved the content of the discussions shall not be referred to in any subsequent complaint. There is no power for any matter referred under the informal process to be subject to any sanction under the Code of Conduct. 3.
- 4.24 Complaints may be dealt with under this procedure as follows. Anyone who wishes to submit an allegation under this procedure should send the complaint (in the case of an officer following consultation with their Director) to the Monitoring Officer. Additionally, the Monitoring Officer may have referred a complaint to this procedure following consultation with an Independent Person. Following receipt of the complaint, or referral, the Monitoring Officer will act as follows:

Stage 1

- 4.25 The Monitoring Officer will undertake a brief preliminary investigation to establish the facts and the areas of dispute. Possible resolutions will be canvassed with the complainant and then the Member about whom the complaint has been made.
- 4.26 Then Monitoring Officer will also consider, following this, whether another course of action or more formal investigation, is more appropriate.

Stage2

- 4.27 A mediation meeting will be held between the person making the complaint, the Member against whom the complaint is made, the Monitoring Officer and (if considered appropriate) other persons invited by the Monitoring Officer. Such persons may include an Independent Person, the Chief Executive, Chair of the Authority, political group leader, or in the case of a complaint being made by an officer a companion or Director. The meeting may commence

with the parties in separate rooms and the Monitoring Officer acting as a mediator. The purpose of the meeting will be to try and resolve the matter without it going further.

Stage 3

- 4.28 If the matter is not resolved at stage two and the complainant wishes to proceed with it, the matter will be referred to a local resolution hearing before the Hearings Committee (see section 6 below in relation to the constitution of the Hearings Committee). The person making the complaint will be asked to submit a statement in writing within 14 days and the member complained against will respond within 14 days. Either party may submit a statement from a witness.
- 4.29 Within 28 days of the written evidence a hearing will be set before the Hearings Committee. Any party may have at their own expense a companion or representative, provided that in the case of representation the Monitoring Officer and other party have been given 21 days' notice to this effect. Evidence will be limited to the contents of the statements. If any party does not attend, the hearing will proceed in their absence. The Monitoring officer will be available to advise the committee. After hearing oral evidence, the Hearings Committee will come to a conclusion on the allegation, which will be notified to the parties.
- 4.30 The possible outcomes to a hearing under the Local Resolution Procedure are:
- A finding that the matter does not warrant any further action to be taken
 - A recommendation to the Monitoring Officer that there be a change to procedures or that more formal investigation action be taken
 - A finding that the complaint be recorded by the Monitoring Officer as vexatious
 - A finding that the complaint is upheld, but no further action is required
 - A finding that the complaint is upheld and that the Member should be censured
- 4.31 Unless the complaint has been upheld, publicity will not be given to the names of the parties. The hearing before the Hearings Committee will be confidential.

3. Paragraph inserted 12.07.18

5 Hearings Procedure

- 5.1 If a hearing is required, the Monitoring Officer will write to the subject Member proposing a date for the hearing. This date will normally be within six weeks of the investigation report and will be before the Hearings Committee. The Hearings Committee shall be constituted in accordance with Part B of the Authority's Standing Orders and shall have a quorum of three Members.
- 5.2 The Monitoring Officer will outline the hearing procedure, the Member's rights and ask for a written response from the Member within a set time to establish whether:
- the Member wishes to attend the hearing
 - the Member disagrees with any of the findings of fact in the investigation report and if so which findings and the reason for disagreement
 - the Member wishes to give oral evidence, or rely on written submissions
 - witnesses will be called by the Member to give evidence (there is no power on the part of the Authority to compel attendance by a witness)
 - they wish any part of the hearing to be in private
 - they wish any part of the investigation report or other documents to be withheld from the public
- 5.3 In complex cases, if the Monitoring Officer considers that a preliminary hearing is necessary to consider the matters in 5.2, they shall convene one.
- 5.4 Any party may have at their own expense a companion or representative, provided that in the case of representation the Monitoring Officer and other party have been given 21 days' notice to this effect.
- 5.5 The parties and the Hearing Committee will be sent a full bundle of documents for the hearing at least 5 days prior to the hearing.

Procedure at hearing

- 5.6 The procedure at the hearing will be in accordance with a procedure to be determined by the Monitoring Officer. It will usually adopt the following procedure
- The Investigating Officer will present his/her report to the Hearing Committee
 - The Investigating Officer will be questioned on the report by any party and by the Hearings Committee
 - Evidence will be given with questions being asked by any party and by the Hearings Committee. The order will be the complainant first, then the Member the subject of the complaint and then any witnesses in such order as the Hearings Committee decides appropriate
 - The Hearings Committee will withdraw to consider their decision, with the outcome notified by the Chair. The decision will be confirmed in a

Decision Notice which will be sent to the parties within 5 working days of the hearing.

- 5.7 If the Hearings Committee concludes that there has been no breach of the Code, there will be no further action. There is no appeal or review of that decision by the Authority or any other person. The Hearings Committee will give reasons for its decision.
- 5.8 If the Hearings Committee concludes that the Member the subject of the complaint has failed to comply with the Code, then the Authority has delegated its powers to make such sanction as it considers it to be appropriate and proportionate in order to promote and maintain high standards.

Sanctions

- 5.9 These sanctions may include any of the following:
- A request that the Member submit a written apology in a form specified by the Hearings Committee
 - A request that the Member undertake specified training
 - A request that the Member participates in such conciliation as may be specified
 - A requirement that the Member deals with Authority business through one specified point of contact
 - Placing such restrictions on Members access to staff which may be reasonable in the circumstances and in accordance with the Protocol on Member and Officer relations, providing that such restrictions do not prevent the Member from carrying out their duties
 - A requirement that the Member does not attend at the Authority's offices, unless attending statutory meetings
 - Reporting the Member to his/her County or District Council, Secretary of State as appropriate and reporting the matter to a full meeting of the Authority
 - Reporting the matter to a full meeting of the Authority with a recommendation that the Member has any privileges to which they are entitled removed or that they be removed from any appointment made by the Authority to any external body
 - Reporting the matter to a full meeting of the Authority with a recommendation that the Member be removed from any committee to which they are currently appointed.
 - No sanction

Publication of findings

- 5.10 A summary of the complaint and findings will be reported to a full meeting of the Authority, for their information.



Members' Code of Conduct Complaint Form

To be used if you wish to make a complaint that a Member or co-opted Member of the Authority, has failed to comply with the Members' Code of Conduct.

If English is not your first language, please contact us if you require help to complete this form.

Your details

1. Please provide us with your name and contact details

Title:	
First Name:	
Last Name:	
Address:	
Daytime telephone:	
Evening telephone:	
Mobile telephone:	
Email address:	

We will only use the information you provide to us for the purposes of processing your complaint. Your information, including any personal information you provide to us (such as name and contact details) may be shared with the people referred to below, or with other relevant authorities as required, only for the purposes of processing your complaint.

All comments and complaints are treated confidentially and will not disadvantage you in any future dealings with Broads Authority. It may not always be possible to keep your details confidential, such as where your complaint is about a third party or where particular legislation applies to your complaint.

We will tell the following people about this complaint:

- The Member(s) you are complaining about
- The Monitoring Officer to the Authority
- The Authority's Independent Person
- The Chair of the Authority
- The Chief Executive of the Authority

If you have serious concerns about your name and details of your complaint being released, please complete **section 6** of this form.

2. Please tell us which complainant type best describes you:

<input type="checkbox"/>	Member of the public
<input type="checkbox"/>	A Member or co-opted Member of an authority
<input type="checkbox"/>	Member of Parliament
<input type="checkbox"/>	Local authority monitoring officer
<input type="checkbox"/>	Broads Authority employee or volunteer
<input type="checkbox"/>	Other (please provide details)

Making your complaint

- 3.** Once you have submitted your complaint, it will be considered by the Monitoring Officer of the Authority and after reasonable consultation with the Authority's Independent Person, who will assess, on the basis of your written submission and any additional relevant material, whether the alleged conduct might amount to a failure to comply with the Members' Code of Conduct.

The Monitoring Officer has the following range of options available to him/her: Formal Investigation (which will involve an investigation of the complaint), referral to the Authority's Local Resolution Procedure or no further action, for instance if it is considered that any failure to comply with the Code of Conduct is of a trivial nature.

- 4.** Please provide us with the name of the Member(s) you believe have breached the Broads Authority Members' Code of Conduct and, where the Member is also a Councillor, the name of their authority.

Title	First Name	Last Name	Authority Name

5. Please explain in this section (or on separate sheets) what the Member has done that you believe breached the Members' Code of Conduct. If you are complaining about more than one Member you should clearly explain what each individual person has done that you believe breached the Code of Conduct.

A copy of the Authority's Members' Code of Conduct can be found on the Broads Authority website at <http://www.broads-authority.gov.uk/>

Alternatively, a paper copy can be obtained from the Monitoring Officer to the Authority by writing to:

Monitoring Officer, Broads Authority, Yare House, 62-64 Thorpe Road,
Norwich, Norfolk. NR11RY

- You should be specific, wherever possible; about exactly what you are alleging the Member said or did. For instance, instead of writing that the Member insulted you, you should state what it was they said.
- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe.
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible.
- You should provide any relevant background information.
- You should tick the box to confirm that the facts set out are true

Please provide us with the details of your complaint and the outcome from this complaints process that you would like to see happen. Continue on a separate sheet if there is not enough space on this form.

Do you wish your complaint to be dealt with under the Authority's Local Resolution Procedure?

Yes/No

If you answered No, please briefly explain your reason:

☐ I confirm by ticking this box and sending this form that the facts I have set out in my complaint are true

Date:

Only complete this next section if you are requesting that your identity is kept confidential.

6. In the interests of fairness and natural justice, we believe Members who are complained about have a right to know who has made the complaint. We also believe they have a right to be provided with a summary of the complaint. We are unlikely to withhold your identity or details of your complaint unless you have good reason to justify the Authority doing so.

Please note that requests for confidentiality or requests for suppression of complaint details will not automatically be granted. The Monitoring Officer to the Authority, in consultation with the Authority's Independent Person, will consider the request alongside the substance of your complaint. We will then

contact you with the decision. If your request for confidentiality is not granted, we will usually allow you the option of withdrawing your complaint.

However, it is important to understand that in certain exceptional circumstances where the matter complained about is very serious, we can proceed with an investigation or other action and disclose your name even if you have expressly asked us not to.

Please provide us with details of why you believe we should withhold your name and/or the details of your complaint:

Additional Help

7. Complaints must be submitted in writing. This includes electronic submissions. However, in line with the requirements of equalities legislation, we can make reasonable adjustments to assist you if you have a disability that prevents you from making your complaint in writing.

If you need support in completing this form, please let us know as soon as possible.

This complaint should be submitted to the Monitoring Officer to the Authority, by sending to the following contact addresses:

By post to: Monitoring Officer, Broads Authority, Yare House, 62-64 Thorpe Road, Norwich, Norfolk. NR11RY

Or by e-mail to: Hilary.Slater@broads-authority.gov.uk

Privacy and Data processing ⁵.

8. The Authority will process any personal information in line with the Data Protection Act 2018 and the EU General Data Protection Regulation.

Information you provide to us on this form will be shared with certain individuals who undertake roles within the complaints process, including the subject Member, Independent Person, Investigating Officer (who may be external to the Authority) and members of the Hearings Committee.

You also acknowledge by making your complaint that personal information which you give us may be placed in the public domain should the matter proceed to a hearing.

The basis of processing will be that of public task i.e. tasks carried out by the Authority in the public interest or power vested in the Authority.

Your information will be retained for 7 years following the outcome of your complaint or last action taken in relation to it. We will process your data in accordance with Data Protection Principles using appropriate technical and organisational measures.

Broads Authority is the Data Controller in relation to your data. It has a Data Protection Officer (DPO) who can be contacted at the postal address on this form or at dpo@broads-authority.gov.uk. Our DPO is currently our Monitoring Officer.

You have the right to see any personal information that we hold about you. Such requests are called subject access requests. If you would like to make a subject access request please contact the Authority's Data Protection Officer. We will respond to such requests within one month. There is no fee to make a request.

You may ask us to rectify any personal information which is incomplete or inaccurate. You may also ask us to erase such data once processing is no longer necessary or if you object to processing or consider that we are processing it unlawfully. We will consider such requests and if we refuse, we will give reasons.

⁵. Section 8 added 12.0718



Private and Confidential

Code of Conduct Complaint Monitoring Form

The Broads Authority is committed to the provision of equal opportunity and specifically to conducting its affairs in a manner which will not discriminate against, either directly or indirectly, any person on the grounds of: disability; gender; transgender; race; ethnic or national origin; religion or belief; age or sexual orientation.

To help us meet this commitment, it would be helpful if you would complete this form. This monitoring form will be separated from your complaint on receipt and will be used solely for the purposes of monitoring the process.

Section 1 (please tick the boxes which apply)

My age is:	Under 21	<input type="checkbox"/>
	21-30	<input type="checkbox"/>
	31-40	<input type="checkbox"/>
	41-50	<input type="checkbox"/>
	51-60	<input type="checkbox"/>
	61-64	<input type="checkbox"/>
	65 or over	<input type="checkbox"/>

My gender is:	Female	<input type="checkbox"/>
	Male	<input type="checkbox"/>

Section 2 (please tick one box only)

I would describe myself as:	White:	British	<input type="checkbox"/>
		Irish	<input type="checkbox"/>
		Any other	<input type="checkbox"/> please write in

Mixed:	White and Black	<input type="checkbox"/>
	Caribbean	<input type="checkbox"/>
	White and Black	<input type="checkbox"/>
	African	<input type="checkbox"/>
	White and Asian	<input type="checkbox"/>
	Any other	<input type="checkbox"/> please write in

Asian or Asian British:	Indian	<input type="checkbox"/>
	Pakistani	<input type="checkbox"/>
		<input type="checkbox"/>

	Bangladeshi Any other	<input type="checkbox"/> please write in
Black or Black British:	Caribbean African Any other	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> please write in
Chinese or other ethnic group:	Chinese Any other	<input type="checkbox"/> <input type="checkbox"/> please write in

Section 3		
Do you consider yourself to have a disability*?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Thank you for your co-operation. Please return this form with your complaint.

*The Equality Act 2010 defines disability as 'a physical or mental impairment which has a substantial and long-term adverse effect on a person's ability to carry out normal day-to-day activities'.

Criteria for consideration of a complaint by Monitoring Officer

In deciding whether to accept or reject a complaint of breach of the Code, or to refer it to the Local Resolution Procedure, the Monitoring Officer has a wide discretion. He or she will take into account the following criteria, where relevant.

- Public interest factors including the seriousness of the alleged breach, whether there has been any breach of trust, the extent of any harm caused and whether there has been any discrimination.
- Proportionality by balancing the seriousness of the allegation against the resources required to investigate the allegation
- Whether there are any aggravating factors or significant mitigating factors
- Whether a prompt acknowledgment and apology has been offered
- Whether the complaint is one of a pattern by or against a Member
- Whether the complaint appears to be malicious, frivolous or vexatious
- Whether the complaint suggests that there is a wider problem as affects the Authority
- Whether training or conciliation would be the appropriate response
- Whether either the complainant or subject Member has indicated a preference for Local Dispute resolution

Criteria for determination as to whether a complaint is frivolous or vexatious

At the Initial Assessment Stage, the following criteria shall be used in determining whether a complaint is frivolous or vexatious:

- Whether the matters complained of occurred more than 3 calendar months earlier and if so whether any reason given for a delay in making the complaint is sufficient.
- Whether the complaint appears to be of “tit for tat” nature in that for example, the complainant has themselves been the subject of a complaint by the subject member.
- Whether in less-serious cases, the matter has already been the subject of reasonable and sufficient attempts by the subject member to apologise and make amends for any behaviour complained of.
- Whether the complainant has made other complaints under the Members’ Code of Conduct. If so, the number, nature and subject matter of those complaints will also be considered.
- Whether the subject matter of the complaint is a trivial matter out of proportion to its significance.
- Whether the complainant has adopted a “scattergun” approach: pursuing a complaint with the Authority and at the same time, with any number of the following such as a Member of Parliament, the Authority’s independent auditor, National Audit office, Government department, local police, solicitors, media and on social media.
- Whether the complaint arises from facts which have been the subject of a prior determination by a decision-making body.
- Whether the content of the complaint includes gratuitous comments about the subject Member or other third parties which could be considered insulting, abusive or defamatory in nature.

Audit and Risk Committee

21 July 2020

Agenda item number 10

Investment Strategy and Performance Annual Report 2019/20

Report by Chief Financial Officer

Summary

This report sets out details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2020.

Recommendation

To note the arrangements regarding the investment of the Authority's unallocated cash.

1. Introduction

- 1.1. It has been agreed that a six-monthly report on the performance of the Authority's investments will be presented to the Audit and Risk Committee, with a fuller 'year end analysis' at the July meeting, and a mid-year progress report at the appropriate half year meeting.

2. Investment Principles and Performance

- 2.1. The investment of unallocated cash was governed by the Authority's Treasury and Investment Strategy 2019/20 agreed by the Authority on 5 March 2019.
- 2.2. Unallocated cash sums are calculated by the Authority's Finance staff and transferred to either a Fixed Term Deposit or Notice Account, or remain within the instant access bank account. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the year to 31 March 2020 are below.

Table 1
2019/20 Summary

Account type	Opening balance £'000	Closing balance £'000	Highest sum £'000	Lowest sum £'000
Instant Access	1,140	593	2,124	569
Fixed Term ¹	2,000	2,000	2,000	2,000
95 Day Notice Account	1,500	1,500	1,500	1,500
32 Day Notice Account	0	502	502	0

2.3. The figures for the previous year (2018/19) were:

Table 2
2018/19 Summary

Account type	Opening balance £'000s	Closing balance £'000s	Highest sum £'000s	Lowest sum £'000s
Instant Access	1,530	1,140	2,670	661
Fixed Term	2,000	2,000	2,000	2,000
95 Day Notice Account	500	1,500	1,500	500
32 Day Notice Account	0	0	0	0

2.4. The amount of interest received during 2019/20 was £49,014.41 based on interest rates ranging from 0.1% to 1.1%. Forecast interest for 2019/20 was £47,500. The sum received for 2018/19 was £37,052.60 based on interest rates that ranged from 0.4% to 1.1%.

2.5. Balances on the Fixed Term Deposit, 95 and 32 day notice accounts have remained the same since 31 March 2020. The instant access has increased to £1.362 million. It should be noted that the automatic transfer between the instant access and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. Cash flow is monitored on a weekly basis against budget profiling to ensure access to sufficient funds. The possibility to make additional fixed term deposits are limited due to the timing differences between external funded projects grant expenditure and

¹ During 2019/20 the Authority held two separate £1 million investments, these were due for repayment on 05/09/19 and 04/03/20. Both were reinvested for a further year.

claim repayment. An additional factor this year is the uncertainty around the timing and amount of toll income receivable.

- 2.6. The interest income budget for 2020/21 is £41,000, which was based on the assumption that interest receivable will be broadly in line with that received in 2019/20. Since the budget was set, interest rates have decreased significantly. Current forecast indicates that £21,860 may be what is received at the end of 2020/21. This will also depend on whether funds are reinvested, depending on cash flow requirements. If there is a gradual improvement in interest rates and investment returns, the forecast will be reviewed and if necessary updated at the six-month review (end September 2020) to inform year-end and budget planning.

Author: Emma Krelle

Date of report: 26 June 2020

Background papers: Capital, Treasury and Investment Strategy 2019/20

Audit and Risk Committee

21 July 2020

Agenda item number 11

External Audit

Report by Chief Financial officer

Summary

This report appends the Local Government Audit Committee Briefing by Ernst & Young (EY).

Recommendation

That the briefing, including the key questions for Audit Committees as set out on page 8, be noted.

1. Briefing key issues

1.1. This briefing is presented to Members “for information”.

1.2. The items of relevance to the Authority are:

- Budget 2020 (page 2);
- Local Government Pension Scheme (LGPS) news (page 4);
- The local public audit environment (page 6); and
- PSAA Report on the Future Procurement and Market Supply Options Review (page 7).

Author: Emma Krelle

Date of report: 26 June 2020

Appendix 1 – Local Government Audit Committee Briefing, Quarter 1, March 2020

A woman with dark hair and glasses is looking down at a tablet computer she is holding. She is wearing a light-colored blazer over a white top. The background is a server room with blue lighting and server racks. A yellow banner is overlaid on the right side of the image.

Local Government Audit Committee Briefing

Quarter 1, March 2020



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for the Audit
Committee **8**

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more **9**



This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation and the Local Government sector as a whole.

The briefings are produced by our national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but also wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Government and economic news

EY Club Item

The outlook for the UK economy has improved over the last three months, with the decisive nature of the General Election result and the resulting clarity on the first stage of Brexit expected to provide a short-term boost to economic activity. The strong performance of the labour market in terms of new jobs – although less so in pay growth – suggests there may be more momentum than previously thought, and it appears the global slowdown may be bottoming out. Reflecting these factors, The EY ITEM Club's Winter Forecast has increased its projection for GDP growth to 1.2% in 2020 and 1.7% in 2021, compared to the 1% and 1.5% predicted in its last quarterly previous forecast.

Significant uncertainty may still exist, but we can be certain that change is coming. The UK is leaving the EU, the new Government has talked of an ambitious programme, the global policy consensus is under real pressure, and demographics, technology and the climate emergency will all impact the economy in the coming years. These factors may come together in new ways: concerns over the climate may lead to further reductions in trade, and support for localism that boosts towns may be possible

through deploying technology in new ways. The economic outlook is challenging and now is the time for businesses to think creatively about their long-term strategy and plans to deliver it.

Budget 2020

Chancellor Rishi Sunak delivered his first Budget in the House of Commons on 11 March 2020, announcing the government's tax and spending plans for the year ahead. Key points have been summarised below.

Coronavirus – £30 billion stimulus package to counteract the COVID-19 outbreak, equivalent to 1.3% of GDP.

- ▶ This includes £5 billion for the NHS and other public services and £7 billion to businesses and families
- ▶ The government announced that statutory sick pay (SSP) will be paid to all those who choose to self-isolate, even if they aren't presenting any symptoms. Small- and medium-sized business will be refunded eligible SSP costs
- ▶ Local Authorities will be provided with £500mn hardship fund to support vulnerable people in the local area

- ▶ Small firms will be able to access up to £1.2mn of business interruption loans
- ▶ Business rates will be abolished for small business in the retail, leisure and hospitality sectors with a rateable value below £51,000

Personal taxation

- ▶ NIC threshold will be raised saving individuals £100 a year

Transport, Infrastructure and housing

- ▶ More than £600 billion to be spent on roads, rail, gigabit broadband and housing. This includes £12.2 billion for the Affordable Homes Programme and a commitment to create an average 300,000 homes a year
- ▶ Additional funding to help tackle potholes- £2.5 billion will be made available in 2020/21 then £500 million per year until 2024/25

Borrowings

- ▶ Public sector net borrowing is expected to increase by 0.3% to 2.1% of GDP in 2019/20 and rising to 2.4% and 2.8% in subsequent years

Environment

- ▶ The Plastic Packaging tax rate was confirmed at £200 per tonne of plastic packaging for manufactures and importers whose products are less than 30% recyclable. This tax will be effective from April 2022

Investment in flood defences will double to £5.2 billion over the next five years. £320 million has been made available for communities affected by this year's winter flooding.

PWLB

Alongside the Budget, the Treasury launched a consultation on changes to the PWLB, which it said would attempt to "focus PWLB loans on service delivery, housing, and regeneration, and ensure that this money is not diverted into financial investments that serve no direct policy purpose. Once a workable system is designed and implemented, the government intends to cut the interest on all new loans from the PWLB."

The government said it would hold workshops with local authorities to develop rules that would prevent local authorities buying investment assets primarily for yield.

The consultation said: "Local authorities that wish to buy investment assets primarily for yield would remain free to do so but would not be able to take out new loans from the PWLB in the year in which they have bought the asset."

As a result of this budget, the Office of Budget Responsibility predicts a 1.1% GDP growth in 2020 and 1.8% in 2021 without taking into consideration the impact of COVID-19. This is in line with the EY Club Item predictions above.

Local Government Settlement 2020/21

Communities secretary, Robert Jenrick MP, submitted the proposed local government settlement for 2020/21 to the House of Parliament on 06 February 2020. This settlement is set to give local authorities a 4.4% real term increase in spending powers from £46.2 billion in 2019/20 to £49.2 billion in 2020/21. The government commented that the "settlement delivers the biggest real-terms increase in spending power for a decade."

The key elements of the settlement include:

- ▶ The core settlement resources, including Revenue Support Grant and business rates baseline funding, will rise in line with inflation. Local authorities will continue to be able to increase council tax by 2% without a local referendum. Those authorities with adult social care duties will be able to increase council tax by a further 2%
- ▶ Extra social care resources of £1.5bn for both children's and adult's social care
- ▶ New Homes Bonus payments will be maintained at 0.4% growth baseline

According to research conducted by the Local Government Information Unit 93% of councils plan to increase their council tax in 2020/21 by more than 1.5%. David Williams, chair of the County Councils Network, commented that the ability to increase council tax by up to 4% via a 2% adult social care precept will help address rising costs and growing demand, however in the long term this above inflation increase would still leave county authorities facing a £7.7bn funding shortfall.

It is not clear what the impact of Coronavirus and Brexit will have on local authority finances. CIPFA's chief executive has called upon the government to publish an economic assessment for the impact of Brexit in order for authorities to effectively plan ahead.

Another growing cost pressure faced by local authorities is the cost of providing for the homeless. Research conducted by the Local Government Association (LGA) found that 69% of local authorities in England overspent on homelessness budgets during 2018/19 by more than 27%. The LGA stated that the gap between affordable rents and housing benefits combined with an acute shortage of affordable housing has resulted in council having no choice but to increasingly provide temporary accommodation. The amount of money spent by local authorities in England housing families in bed and breakfasts increased by 23% in 2018/19 to £115mn compared to £93mn in 2017/18. Council Leaders and the LGA have urged the Government to use the upcoming budget to provide long term sustainable funding to help prevent homelessness.

Local Government Pension Scheme (LGPS) news: Exit Pensions Credit Payments and Pooling

The Ministry of Housing, Communities and Local Government (MHCLG) has announced amendments to regulations which require funds to pay exit credits where pension liabilities have been overfunded. This announcement is in response to concerns that outsourced contractors are claiming exit payments on top of existing arrangements designed to share pensions risk. MHCLG stated that "it became clear that service providers were becoming entitled to exit credits where this would not have been the intention." In response to this MHCLG have proposed changes to the 2013 Regulations which will required LGPS administering authorities to take into account the level of risk that an employer has borne in determining the amount of exit credits.

Critically, this change means that administering authorities will have discretion over the amount of exit credit paid. Responding to this announcement, actuary partner and pension advisor at Hymans Robertson, Richard Watson, said that "Amending regulations were needed to better reflect historic risk-sharing arrangements"; however, there is a fear that the new discretionary powers for funds may lead to more claims and disputes from outsourced contractors. The LGPS Advisory Board has been called upon to issue guidance on how to interpret the new regulations.

In other LGPS news the government has estimated that the shift to mandatory pooling of assets has saved more than £155mn between November 2015 and March 2019. It has also estimated that the total savings that will be achieved through asset pooling by 2033 is in the region of £2bn.

In a response to the growing climate emergency, that many local authorities have officially recognised, one LGPS asset pool, Brunel Pensions Partnership, has announced a five-point plan to increase the green credentials of its investments and to divest from

investments in companies with high carbon emissions. This plan will include stress-testing its portfolios under a range of climate scenarios such as alignment of emissions with the benchmark set in the Paris Climate Agreement. The Government minister for pensions has welcomed the move saying that they have their full support.

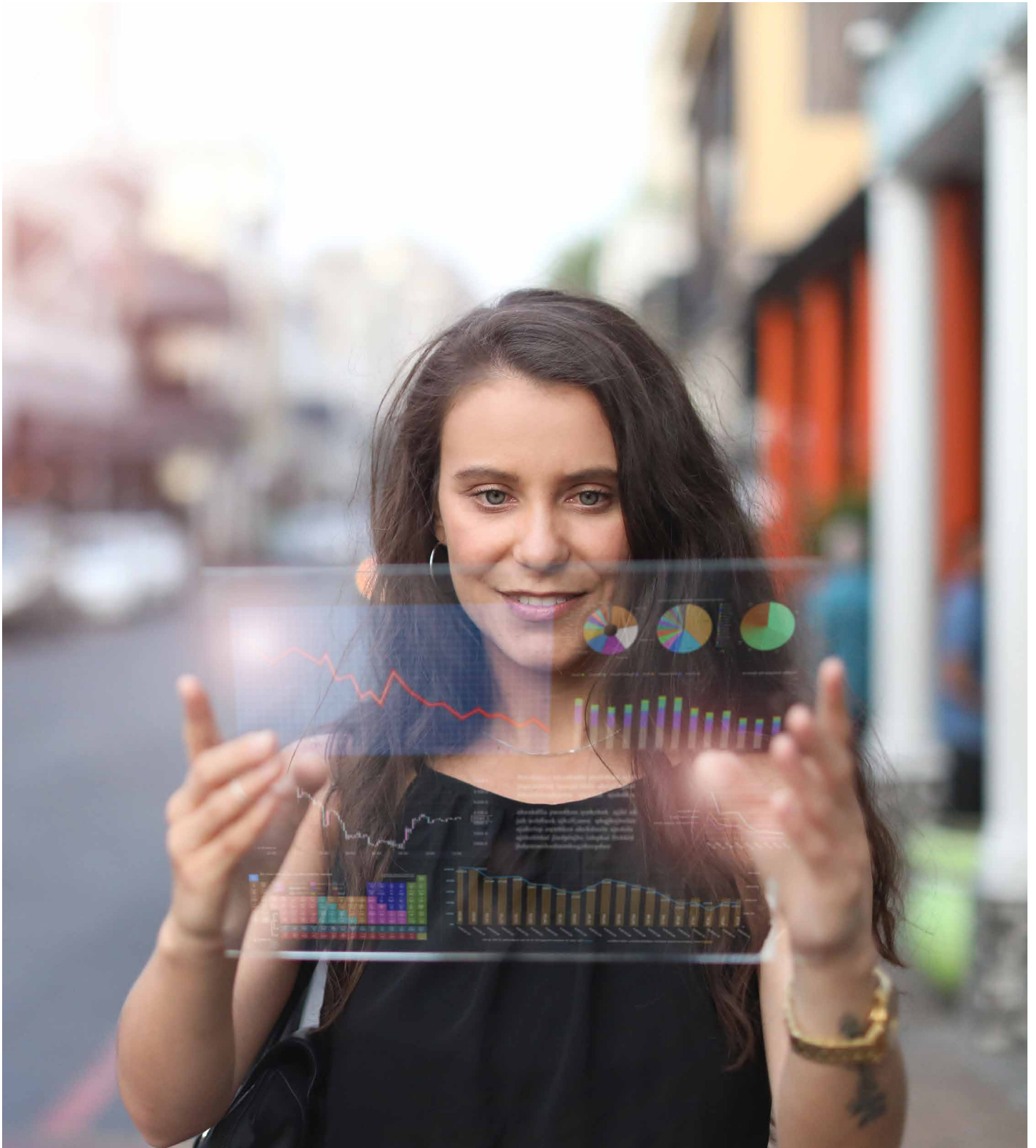
Local Authority Investment in Commercial Properties

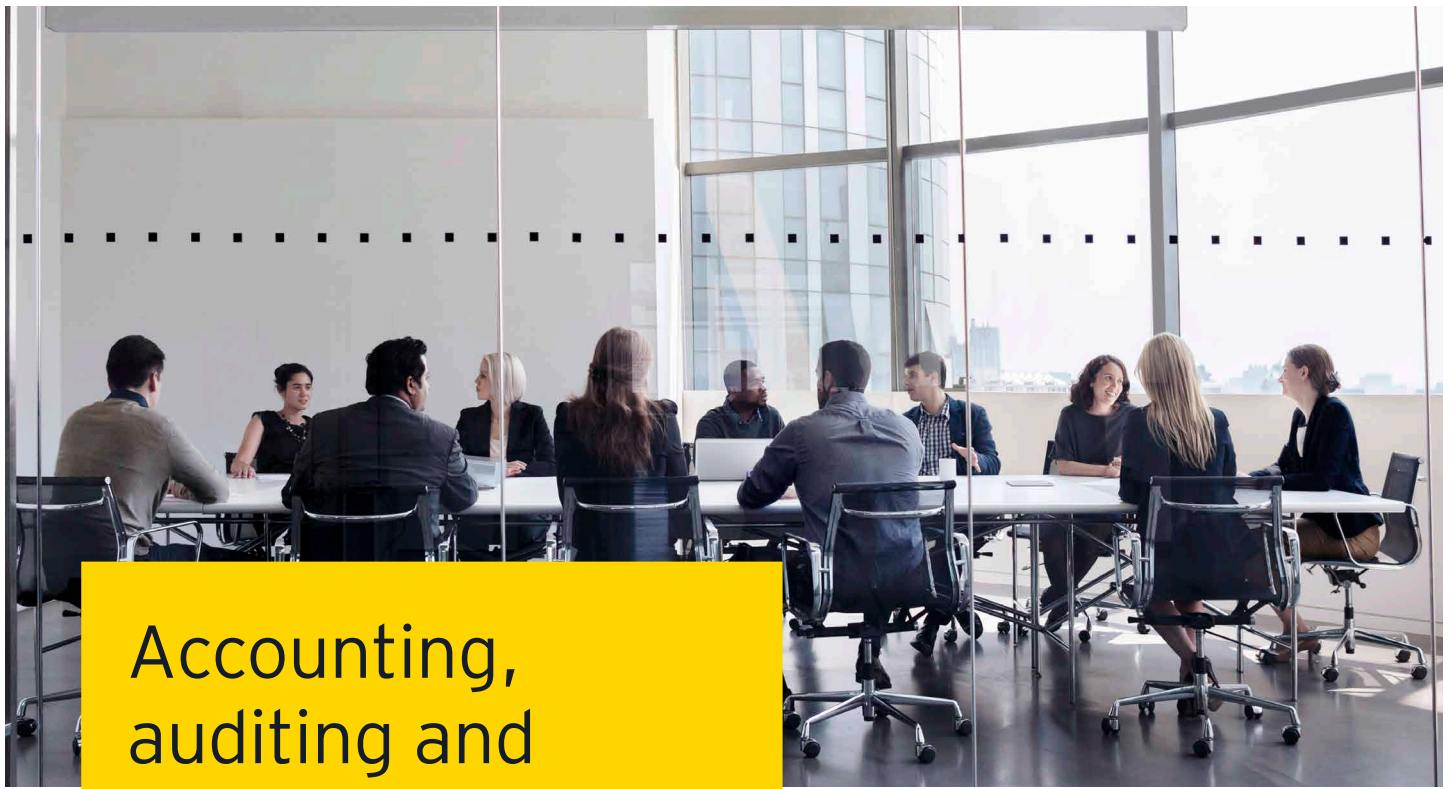
The National Audit Office (NAO) has published a report on the increasing activity of some local authorities making investments in commercial properties. The report comments that between 2016/17 and 2018/19 £6.6bn was spent by local authorities on commercial properties; this is 14.4 times more than the preceding 3 years. However, 80% of this cumulative spend was only incurred by 49 councils (14%). Interestingly district councils are disproportionately active compared to their size and there is a significant geographical skew as authorities in the South East contributed to 53% of the total cumulative spend on commercial properties during this period. The report also highlighted an increasing trend that 38% of commercial property purchases within this period being made out of the geographical area of the councils.

The report focused on MHCLG's role in relation to local government finance and concluded that improvements should be made to the quality of data and analysis of that data by MHCLG to better understand the commercial risks that local authorities are entering into. This will help provide MHCLG with better assurance as to whether local authorities are complying with the CIPFA's Prudential Code, that sets out the framework for responsible financial management. Furthermore, MHCLG should also give consideration as to whether the Prudential Code in its current form is achieving its intended objectives.

CIPFA has welcomed the NAO's report stating it provides vital insight into the activity and extent of commercial investments within the sector. CIPFA commented that councils have the flexibility to make their own investment decisions, however these decisions should be taken in line with service objectives and should be prudent and sustainable in order to provide value for money to tax payers. Avoidance of all risk is not possible; however councils should have full regard to CIPFA's prudential code to ensure that they do not take on an inappropriate amount of risk.

MHCLG has responded to the NAO report stating that councils are responsible for managing their finances and must properly consider the risks as well as the opportunities when commercial decisions are made. As the steward of the local government finance system MHCLG will carefully consider the findings of this report.





Accounting, auditing and governance

CIPFA Financial Resilience Index

CIPFA launched its latest iteration of the Financial Resilience Index on 16th December 2019. The index uses a range of indicators to analyse council finances based on data collected over the past four years. The index includes indicators which assess the level of stress in a council's finances including the level of reserves, rate of depletion of reserves and external debt. The overall outlook based on the results of the Financial Resilience Index is that approximately 1 in 10 councils are showing signs of risk to their financial stability and security. CIPFA has commented that most failures in financial resilience are due to whether effective governance arrangements are in place, rather than down to poor financial management itself.

CIPFA's Financial Resilience Index is publicly available on its website.

The local public audit environment

In our last briefing we highlighted the outcome of the Brydon review which was focused on the quality and effectiveness of audit in the UK and Ireland. We note that the recommendations seek to enhance transparency, including more focus on resilience, internal control and the public interest, for the benefit of investors and stakeholders (including the public). It has also increased the responsibility of boards, audit committees and auditors. A number of the recommendations go to the heart of what we do as auditors and will require pragmatic implementation.

Running side by side with the Brydon review has been the MHCLG review of local government financial reporting and audit, led by Sir Tony Redmond. We now expect the Redmond review to report its findings and recommendations this summer. These reviews, as well as the Competition and Markets Authority and Kingman reviews, have been carried out during a period of significant challenge for local public auditors and local government audited bodies.

On 10 February 2020, Janet Dawson, EY's UK Government and Public-Sector Assurance Leader, wrote to the audit committee chairs and chief finance officers (CFOs) of the local government bodies EY audits under its contract with Public Sector Auditor Appointments (PSAA) Ltd. The letter focused on the concerns we all share regarding the timetable for financial reporting and auditing, audit fees and the regulatory, contractual and legal context of delivering local government external audit. The key messages Janet highlighted were:

- ▶ We believe the current timetable and expectations for financial reporting and external audit are unsustainable and need to change
- ▶ Because of our views on the factors driving an unsustainable timetable, to ensure we deliver the best quality audit, we have informed PSAA, the NAO and the Local Public Audit Stakeholder forum that we will be scheduling a number of 2019/20 external audits for completion after the 31st July 2020

- ▶ We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment
- ▶ In the face of all these unprecedented factors, we still remain committed to deliver high quality sustainable local public audit that serves the public interest and stakeholder needs. It is clear therefore that audit fees for local public audit will have to rise

At the end of February, PSAA emailed CFOs with an update on audit matters. PSAA referenced several of the issues highlighted in Janet's letter and stated that it is encouraging audited bodies and local auditors to have early dialogue about when the audit will take place and the likelihood of additional audit work being required which may lead to a fee variation proposal.

Your Audit Partner has been discussing the proposed timing of your 2019/20 external audit with your CFO and a current estimate of your audit fee and will communicate with the audit committee in due course.

PSAA Report on the Future Procurement and Market Supply Options Review

On 4 March PSAA released a report it commissioned from independent consultants to inform its future procurement and market supply options review project. The consultants were asked to capture the views of current and potential local public audit providers on how to structure a future procurement approach and audit contracts in order to maximise a sustainable audit supply in the next procurement exercise. The report's summary findings were that the sustainability of audit supply will be difficult to achieve and will depend to a great extent of factors that are outside PSAA's control.

Specific findings to note:

- ▶ A lack of experienced local public auditors is the main threat to the future sustainability of the market
- ▶ It will be difficult to bring in new providers to the market due to a lack of enthusiasm for entering the market in its current state, barriers to entry and a lack of belief from these providers that they would not be successful against the existing providers in a tender exercise

- ▶ All existing providers highlight that their risks have increased significantly since they bid for the current contracts and fees have not increased to compensate for the increased risk and the timing of local audits

The report suggests some options for PSAA including changing the balance of price and quality in its tender evaluation arrangements and considering the number and size of contracts. However, the report recognises that some of the issues that impact the future sustainability of local audit are outside of PSAA's control, including the:

- ▶ Fragmentation of the market for procurement of public sector audits (including distinctive arrangements in local government, health and central government)
- ▶ Accreditation regime for local audits
- ▶ Timing of local authority audits
- ▶ Regulatory regime for quality checking of audits

PSAA have shared the report publicly to inform the debate and support the work ongoing to strengthen the system of local public audit.

In the next quarter, we will be publishing thought leadership papers and thereafter a series of articles setting out our point of view on several areas that we believe are critical to secure the future sustainability of local public audit.

Key Questions for the Audit Committee

Budget 2020

How does the Budget 2020 impact your local authority?

Has your authority assessed the impact of the coronavirus on day-to-day operations?

Local Government Settlement 2020-21

How will the local government settlement for 2020/21 impact your local authority? Does this change any of the budgeting assumptions included on your authority's medium term financial plan?

How much financial pressure is homelessness creating for your authority? What are your authority's plans to address homelessness over the long term?

Local Government Pension Scheme (LGPS): Exit Pensions Credit Payments

Is your authority impacted by the change in regulation regarding LGPS payment of pensions exit credits?

How is your authority's LGPS scheme achieving value for money through asset pooling?

Local Authority Investment in Commercial Properties

How does your authority assess its risk appetite for making commercial decisions? How does your authority ensure that it will achieve long term value for money for tax payers?

How does your authority comply with CIPFA's Prudential Code?

CIPFA Financial Resilience Index

How does your authority compare to other local authorities in CIPFA Financial Resilience Index?

What steps does your authority take to achieve long term financial resilience?

The local public audit environment

Are you clear on the timing of your 2019/20 audit and an indication of the fees being proposed by your auditor?

PSAA Report on the Future Procurement and Market Supply Options Review

Have you read PSAA's report and considered what your perspectives are on the steps that should be taken to support the future sustainability of local public audit?

Find out more

EY Club Item

https://www.ey.com/en_uk/growth/ey-item-club/ey-item-club-winter-forecast-2020

Budget 2020

<https://www.gov.uk/government/publications/budget-2020-documents/budget-2020#executive-summary>

<https://www.bbc.co.uk/news/uk-politics-51832634>

Local Government Settlement 2020-21

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2020-to-2021-written-statement>

<https://www.publicfinance.co.uk/news/2019/12/local-government-settlement-provides-ps29bn-cash-boost>

<https://www.publicfinance.co.uk/news/2020/01/majority-councils-overspend-homelessness-pressure-mounts>

Local Government Pension Scheme (LGPS): Exit Pensions Credit Payments

<https://www.publicfinance.co.uk/news/2020/02/lgps-funds-given-discretion-over-employer-exit-payments>

<https://www.publicfinance.co.uk/news/2020/02/pooling-lgps-schemes-has-saved-ps155m-four-years>

<https://www.publicfinance.co.uk/news/2020/01/lgps-pension-pool-demands-action-climate-change>

Local Authority Investment in Commercial Properties

<https://www.nao.org.uk/press-release/local-authority-investment-in-commercial-property/>

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-response-nao-report-on-council-investment-in-commercial-property>

CIPFA Financial Resilience Index

<https://www.publicfinance.co.uk/news/2019/12/cipfa-financial-resilience-index-finances-10-councils-risk>

<https://www.cipfa.org/services/financial-resilience-index/financial-resilience>

The local public audit environment

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852960/brydon-review-final-report.pdf

PSAA Report on the Future Procurement and Market Supply Options Review

<https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

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Audit and Risk Committee

21 July 2020

Agenda item number 12

Implementation of internal audit recommendations – Summary of progress

Report by Chief Financial Officer

Summary

This report gives a progress update on implementing Internal Audit recommendations arising out of audits carried out during 2018/19 and 2019/20.

Recommendation

To note the report.

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1. Introduction

- 1.1. It was agreed that this Committee would receive regular progress updates in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of outstanding work.
- 1.2. Appendices 1 and 2 give details of the audits carried out in 2018/19 and 2019/20, in particular:
 - Recommendations not yet implemented;
 - Recommendations not implemented at the time of the last meeting that have since been implemented; and

- New recommendations since the last meeting.

2. Summary of progress

- 2.1. In the previous report to this Committee in March, the outstanding recommendation relating to the Disaster Recovery audit has been completed. Two of the outstanding recommendations regarding the Branding Audit have been completed with the remaining two delayed, due to the COVID-19 outbreak. The outstanding recommendation relating to the Water, Mills and Marshes is linked to the updating of the Business Continuity Plan, which will be completed by the end of August. Further details on progress can be found in the appendices.

3. Internal Audit Programme 2019/20 and 2020/21

- 3.1. The final audit on Corporate Governance has been completed, with further details below. The first audit from the 2020/21 programme on Planning is scheduled for the end of quarter two.

4. Corporate Governance and Risk Management

- 4.1. The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over Corporate Governance and Risk Management. This resulted in a “reasonable” audit opinion with one important and one needs attention recommendations being raised. Details of these can be found in Appendix 2.
- 4.2. Good practice was noted relating to sound controls in place and operating consistently. Those relating to Risk Management were:
- The Risk Management Policy, which includes risk prioritisation/risk matrix and risk tolerance levels, provides an overarching framework for the authority's risk management process, including the rules and standards for managing strategic and operational risk, and guides staff in assessing, monitoring and managing risk on a day-to-day basis.
 - There is a specific page available on the Authority's intranet (SharePoint) which is dedicated to risk management. This enables staff to have access to the current Corporate Risk Register and Risk Management Policy.
 - The Authority has now rationalised and streamlined its strategic risks which were 22 in total. The new approach to risk management now includes scope for both strategic/corporate risks and operational/Director risks which has resulted in a Corporate Risk Register comprised of 10 risks. This provides a more manageable amount at this level resulting in members and the Management Team focusing attention on the key risks which may adversely affect the achievement of the Authority's strategic priorities.
- 4.3. Those relating to governance arrangements for decision making were:

- The Monitoring Officer oversees the decision-making process and attends all full Broad Authority board meetings. This helps ensure that decisions are made in accordance with the constitutional documents and members and officers conduct is in adherence to the code of conduct.

4.4. Those relating to accountability and monitoring of performance were:

- An annual Business Plan is published on the Authority's website containing the strategic priorities of the Authority. This underpins the 2017 - 2022 Broads Plan, and clearly highlights the priorities in which the Broad Authority is the lead partner for. This helps demonstrate part of the 'golden thread' i.e. how the performance of the strategic priorities is aligned to the main corporate plan of the Authority.
- Progress on all 2019/20 Broads Plan objectives are reported to the Broads Authority on a six-monthly basis and published on the website. The Authority's smaller set of headline strategic priorities are reported to the Broads Authority each time it meets. This facilitates regular updates to the body responsible the key strategies, policies and priorities of the Authority.

4.5. One of the recommendations has been completed, and the outstanding one remains on target for completion.

Author: Emma Krelle

Date of report: 07 July 2020

Appendix 1 – Summary of Actions and Responses to Internal Audit 2018/19

Appendix 2 – Summary of Actions and Responses to Internal Audit 2019/20

Appendix 1 – Summary of Actions and Responses to Internal Audit 2018/19

Table 1

Disaster Recover (DR) February 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Alignment with Business Continuity Plans</p> <p>The Authority to ensure that senior management are made aware that Business Continuity (BCP) recovery timelines of up to 24 hours may not be achievable if such recovery has to be undertaken using the tape backups stored at the Dockyard. Formal acceptance (or otherwise) of this risk to be formally documented to support this. Formally notifying senior management of the potential inability to support Business Continuity recovery timelines up to 24 hours where a tape restoration is required will help to ensure that the acceptance (or otherwise) of this risk is formally documented.</p> <p>Where senior management are not advised of the potential inability to support Business Continuity recovery timelines up to 24 hours, there is an increased risk that the BCP cannot adequately support priority services.</p>	Important	Head of IT & Collector of Tolls	<p>Agreed.</p> <p>Update: MT are aware of the potential delays. This will be formally updated in the Business Continuity Plan as part of the external funding recommendation.</p> <p>Completed.</p>	<p>Originally agreed by 31/07/19</p> <p>Update to 30/04/20</p>

Table 2

Branding April 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>1. Broads Authority branding - strategies, guidelines / procedures</p> <p>The communications work plan be updated to include the finalisation of the local Broads National Park Branding Strategy.</p> <p>The work plan should also be updated to include work in relation to recommendations agreed within this audit, including branding training; update of intranet communications page; and internal guidance/criteria in relation to the use of Broads Authority and Broads National Park logos.</p> <p>Currently, there is no defined timescale for completing the Broads National Park Branding Strategy. Whilst this is dependent on the completion of the national branding strategy, an estimated timescale (subject to change) would help mitigate the risk that the strategy and other key tasks are not completed in a timely manner.</p>	Needs Attention	Head of Communications	<p>Agreed. The work plan for 2019/20 is being populated and recommended key milestones will be included within it.</p> <p>Partially completed: The work plan is now complete for 2019/20 with the timelines included. This has been incorporated into the Directorate work plan.</p> <p>There has been considerable progress in accordance with the work plan. Several documents related to the strategy have been updated (such as the Writing style guide, accessibility guidance and commonly used words).</p> <p>The Comm's team are also producing a guide for staff which provides branding advice. External support in</p>	<p>Originally by 31/05/19</p> <p>Updated to 30/04/20</p>

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
			the development of key messaging that incorporates the National Parks narrative and the production of infographics has been sought. This is seen as the last piece essential element of the future strategy and will be completed by the end of the financial year. Completed, work plan updated with the caveat that the completion of the strategy has been delayed by urgent COVID-19 activity which has taken priority.	
2. Broads Authority branding - strategies, guidelines / procedures The Broads Authority Communications Policy be updated to include the roles and responsibilities for overseeing management of correct branding. This should be included within a separate branding section which the policy does not currently have. This should make the branding area more easily to locate within	Needs Attention	Head of Communications	Agreed. Given that the National Branding guidelines that will inform the strategy are awaiting approval by the 15 national parks' Chief Executives and relevant Chairs, it is anticipated that this work will be completed by Autumn 2019. Revision of	By 31/10/19 Updated to 30/09/20

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
the policy and helps mitigate the risk that responsibilities for branding are unclear.			the Communications policy has been delayed to ensure that all elements are completed. A comprehensive plan for all associated elements has been prepared with the input of the Design and Information Supervisor. Please refer to the above update to 1. The new communications strategy has been delayed by COVID-19 communications activity. Although many elements of the strategy have been completed, we anticipate it will be in place by the end of September 2020	
4. Broads Authority branding - use of the Broads Authority logo Guidance be produced for staff which covers the criteria for applying either the Broads Authority or Broads National Park logo, or when both logos are applicable.	Needs Attention	Head of Communications	Agreed. The guidance will be produced in conjunction with the strategy, guidelines and procedures. Completed.	By 31/10/19 Updated to 30/04/20

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>This guidance should include reference to partnership and project work, and the approach to take when applying logos of both the project, the Broads Authority and the Broads National Park logo.</p> <p>Reference should be made to the Broads National Park Brand Standards and the Broad's National Park branding strategy where applicable.</p> <p>It would be good practice to include examples of logo application for different circumstances from promotional flyers and training programmes to more formal documents. Furthermore, this document should make clear the formal process to go through when branding documents, i.e. consultations with the communications team.</p> <p>Clear guidance should provide clarity over the application of the different logos, reducing the risk that inconsistent and incorrect logos are applied leading to ambiguity and inadequate promotion of the area as a national park.</p>				
<p>5. Broads Authority branding - use of the Broads Authority logo</p> <p>A review and update of the communications page on the Authority's intranet be undertaken once the national parks' branding strategy and associated documents, including the local broads national park</p>	Needs Attention	Head of Communications	Agreed. The intranet content will be produced in conjunction with the strategy, guidelines and procedures. Awaiting completion of the new	By 31/10/19 Updated to 30/09/20

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>strategy and Broads Authority Communications Policy, are finalised. This should be re-launched with staff including the provision of staff and member training in relation to branding, incorporating the use of both the Broads Authority logo and Broads National Parks logo. The communications intranet page should include the communications team details; branding strategies and communications policy; and the Broads Authority New Signs guide.</p>			<p>communication strategy (see recommendation two above)</p>	

Appendix 2 – Summary of Actions and Responses to Internal Audit 2019/20

Table 3

External Funding – Water, Mills and Marshes October 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
1. Governance The Broads Authority Business Continuity Plan (BCP) is reviewed and updated to take into account the recent organisational re-structure and to ensure major projects such as the WMM Project are provided for. Ensuring the Corporate BCP is reviewed and updated in a timely manner mitigates the risk that BC management procedures and priorities are not embedded in the Broads Authority resulting in a lack of effective management of any disruption to normal services and externally funded major projects.	Important	Head of Governance	Agreed by Management Team on 26/09/2019. The BCP has been updated during July for consideration by Management Team before it is finalised. The directorate risk registers have been updated to include staff contingency plans. This will cross referenced in the BCP.	By 31/12/19 Updated to 30/08/20
6. Financial Management Evidence that tenders are advertised on the BA's website/social media page and on industry specific websites/in newspapers or journals circulating among persons or bodies who undertake such contracts, to be retained. Retaining evidence verifies that the BA's Standing Orders Relating to Contracts have been adhered to mitigating the risks that there is inadequate transparency and fairness in the procurement process and the BA does not obtain VFM from it procurements.	Needs Attention	Water, Mills and Marshes Programme Manager	Agreed, with timetable depending on future procurement. There have been no further tenders since this recommendation was raised and is considered complete.	By 31/03/20

Table 4

Procurement December 2019

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
2. Procurement The Authority to ensure that waivers are completed for all procurements which exceed the £5K threshold and where the requirement in CSOs to obtain three written quotations, are not applied. Retrospective waivers should be completed for the following contracts and reported to the Broads Authority: - Martha Gary Works Ltd (MGW); - Sentinel Enterprises Ltd (SLT) - Kereds Construction Ltd; and - Phoenix Software Ltd. Completed waivers and receiving the correct number of quotations ensure compliance with CSOs. This helps mitigate the risk of inadequate probity, transparency and equality in the procurement of works, goods and services, leading to the non-achievement of value for money.	Important	Chief Financial Officer	Agreed. Budget holders will be asked to complete retrospective waivers. Included in the annual report on waivers. Completed.	By 31/03/20
3. Procurement The Procurement guidance is reviewed and updated and version controlled, including the inclusion of up to date procurement thresholds, particularly those relating to OJEU requirements. Up to date procurement guidance ensures that staff are aware of and are adhering to the correct guidelines, thereby mitigating	Important	Senior Finance Assistant	Agreed. Completed.	By 31/03/20

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
the risk of non-compliance with CSOs and OJEU requirements.				
4. Procurement A procurement project/contract risk assessment is produced, and referred to in the Procurement Strategy, to score each project prior to the commencement of the procurement process. This is issued to assess the type of procurement activity undertaken, i.e. framework, partnership arrangements. This can also be used to assess the level of contract management involved. The contract risk assessment should consider proposed length of contract; Proposed procurement arrangement; Estimated whole-life cost; Impact of Contract (e.g. from Critical to external mandatory service delivery to minimal impact); Impact on organisation; Political / Reputational Risk; Health and Safety Risk; and Opportunity to misuse/ fraud/ exploit. Assessment of risks prior to procurement assists in choosing the right procurement type and level of contract management mitigates the risks of choosing an unsuitable procurement method and inappropriate supplier and not having the necessary resources in place to effectively manage the contract.	Important	Chief Financial Officer	Agreed. Procurement Strategy to be updated to provide a definition that complex contracts such as building/development contracts are considered high risk, and high value is considered above £250k. Draft Procurement Strategy is on this agenda for consideration.	By 31/03/20 Updated to 31/07/20
5. Procurement	Needs Attention	Chief Financial Officer	Agreed.	By 31/03/20

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>Section 15 (specifically part (f)) of the CSOs, in relation to the standing list, be reviewed and updated to reflect current practices.</p> <p>CSOs to also be amended to remove reference to the Solicitor and Monitoring Officer as this role no longer exists.</p> <p>Contract standing orders should govern the overall contract and procurement process and ensuring this are up to date and reflect the current agreed practices. Ensuring these are up to date helps reduce the risk of inconsistent practices being followed leading to agreed practices not being adhered to.</p>			CSO to be updated to reflect actual process for Fen Management practices. Completed.	
<p>6. Procurement</p> <p>To consolidate the standard terms document with the contract conditions outlined in the CSOs to have an overall set of terms and conditions. These should be consolidated in conjunction with the Broads Authority's legal advisor and included within the CSOs.</p> <p>A consolidated set of terms and conditions protect the purchaser against unforeseen financial losses, e.g. goods not delivered as agreed, mitigating the risks of delay in services/goods and quality of goods which could also lead to a poor reputation.</p>	Needs Attention	Chief Financial Officer	Agreed. Standard terms and conditions to be drawn up with legal provider, including conditions for contracts over £5k. Work has been initiated with our Legal provider. Update: due to ongoing work on COVID-19 response this has been delayed.	By 31/03/20 Updated to 31/07/20.
7. Procurement	Needs Attention	Chief Financial Officer	Agreed.	By 30/06/20

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
Procurement training is provided to all relevant members of staff, and Members, where applicable. Up to date procurement training ensures that staff are aware of and are adhering to the correct guidelines, thereby mitigating the risk of non-compliance with CSOs and OJEU requirements			Update: due to ongoing work on COVID-19 response this has been delayed.	Updated to 31/08/20

Table 5

Corporate Governance and Risk Management April 2020

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
1. Accountability and monitoring of performance The 2019/20 family indicator composite data is formally reported to Management Team to review comparison data with the national park family and take further action as required, to address any adverse areas of performance. Going forward, each set of annual family indicator composite data is reported to management team. This should include reviewing how the indicators align to the Broads Plan and annual business plan priorities and whether a meaningful target can be set for each indicator.	Important	Head of Governance	Agreed. Annual NPA family indicator composite data will be reported to Management Team. The Lead NPO on Performance confirms that the composite data is submitted to DEFRA but is not published publicly as far as he is aware. The subject of family indicators will be included in DEFRA's examination of 'Metrics and Measures' – Measuring the	By 31/08/20

Recommendations	Priority rating	Responsible Officer(s)	BA response/action	Timetable
<p>Furthermore, the purpose of the family indicators from DEFRA, including if and how they are publicly reported on, be ascertained.</p> <p>Formal reporting of the family indicators demonstrates that the data is being reviewed at the senior management level which provides the opportunity to assess the authority's strengths and weaknesses. This helps reduce the risk that the Broads Authority is not capitalising on its strengths and not focussing on any areas of weakness/adverse performance.</p>			delivery of the 25 Year Environment Plan.	
<p>2. Risk Management</p> <p>The Operations Directorate risk register to be completed as part of the Individual Performance Review (IPR) process.</p> <p>Completion of the risk register should be in time for the half yearly review of the Corporate Risk Register (CRR) helping to mitigate the risk that the CRR does not take into account any directorate risks requiring escalation to the corporate level.</p>	Needs Attention	Director of Operations	Agreed. Completed.	By 31/05/20

Audit and Risk Committee

21 July 2020

Agenda item number 13

Updated Procurement Strategy

Report by Chief Financial Officer

Summary

This report presents the Broads Authority's updated Procurement Strategy.

Recommendation

To adopt the amendments to the Procurement Strategy in response to the comments in the audit.

1. Introduction

- 1.1. Following the Procurement Audit, a recommendation was made to update the Strategy.
- 1.2. Recommendation 4 stated: "A procurement project/contract risk assessment is produced, and referred to in the Procurement Strategy, to score each project prior to the commencement of the procurement process. This is issued to assess the type of procurement activity undertaken, i.e. framework, partnership arrangements. This can also be used to assess the level of contract management involved. The contract risk assessment should consider proposed length of contract; Proposed procurement arrangement; Estimated whole-life cost; Impact of Contract (e.g. from Critical to external mandatory service delivery to minimal impact); Impact on organisation; Political / Reputational Risk; Health and Safety Risk; and Opportunity to misuse/ fraud/ exploit".

2. Procurement Strategy amendments

- 2.1. The Management Team reviewed the audit recommendation on 18 December 2019, and agreed to update the strategy to provide a definition that complex contracts such as construction/development of sites contracts are considered high risk, and high value is considered above £250k. These contracts would require a risk assessment and a post implementation review of what had worked well and what lessons could be learned for future contracts.
- 2.2. The amended strategy is at Appendix 1. It has been updated in the new accessibility format used by the Authority. Changes between the old and new versions are highlighted in yellow.

3. Conclusion

- 3.1. If the Committee supports the proposed changes, staff will be notified of the amended strategy. It is intended to include this as part of the procurement training due to be delivered over the summer. All strategy, policy and regulation documents are available to staff on the Authority's intranet.

Author: Emma Krelle

Date of report: 26 June 2020

Appendix 1 – Procurement Strategy

Procurement strategy

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1. Introduction

- 1.1. “Procurement” can be defined as the process of acquiring goods, materials, works or services. Procurement encompasses acquisitions from both third parties and “in-house” providers. The process of procurement includes the whole cycle of purchasing, from the initial identification of needs and options appraisal (including the “make or buy” decision), through to the ultimate end of a services contract or the end of the useful life of an asset.
- 1.2. The Broads Authority is committed to procuring cost effective and quality goods and services, which will in turn support the achievement of the Authority’s overall strategic and operational aims and objectives. The Authority subscribes to the key principles of the Local Government Procurement Pledge as set out within this Strategy.
- 1.3. The Authority’s procurement activities take place in the context of a complex framework of European Union directives and UK procurement regulations, alongside a range of other statutory and regulatory guidance. The Public Contracts Regulations 2015 implement into UK law the European Union Consolidated Directive on public procurement (2014/24/EU).

2. Purpose

- 2.1. The purpose of this Procurement Strategy is:
 - to set out how the Authority’s procurement activities comply with legislative and regulatory requirements;
 - to promote the acquisition and delivery of supplies and services by the most appropriate procurement route, thereby ensuring that value for money¹ and quality are obtained at all times;
 - to define a clear corporate framework for procurement, which complements and aligns with the Authority’s Financial Regulations and Standing Orders Relating to Contracts; and
 - to ensure that all procurement by the Authority is carried out in a sustainable and responsible manner in order to maximise the economic, social and environmental benefits.

¹ Value for money is defined as “the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought.”

3. Responsibilities

- 3.1. Overall responsibility for the implementation of this Strategy lies with the Management Team, who will ensure that all procurement decisions are taken in accordance with the principles and best practice guidelines set out in this Strategy. All Broads Authority officers must have regard to this Strategy when undertaking any procurement activity.
- 3.2. The Authority does not have a Procurement Officer; advice about procurement procedural issues should in the first instance be sought from the Finance Team. Legal advice may be required in the case of a more complex procurement. The Chief Financial Officer must be consulted about the procedure to be applied in the event of any procurement which is over the European OJEU threshold (details of current thresholds are set out in the Standing Orders Relating to Contracts).
- 3.3. The Authority's Sustainability Exchange group can provide advice on environmental impact issues when determining criteria for tendering procedures.

4. Procurement objectives

- 4.1. The Authority's overriding procurement objectives are:
- to purchase goods and services from suppliers who will provide value for money;
 - to secure the purchase of goods and services as quickly and efficiently as possible;
 - to procure goods and services which will enable the ultimate provision of quality services to the public;
 - to encourage the purchase of goods and services from suppliers whose policies, practices and products are economically, socially and environmentally sound;
 - to purchase goods and services from suppliers who comply with the Authority's health and safety standards and requirements;
 - to use local, small and medium size enterprises and / or voluntary, community and social enterprises where possible, and to encourage such enterprises to bid for the Authority's contracts; and
 - to continue working towards e-procurement².

² E-procurement refers to the use of electronic procurement approaches including online procurement systems, and the electronic receipt of tenders. Where an e-procurement approach is used, the requirement remains to comply with Standing Orders, including obtaining competitive quotations where necessary. Guidance from the Finance Team should be sought before undertaking an e-procurement process.

5. Local Government Pledge

5.1. In line with these objectives, the Broads Authority subscribes to the Local Government Association's Procurement Pledge for Local Authorities, which recognises the opportunities provided by procurement to deliver value for money and to support local economies. The Authority will therefore seek to use procurement to help:

- deliver value for public money;
- drive local social and economic growth and regeneration; and
- provide inclusive services through a diverse supplier base.

5.2. In order to deliver these outcomes, to the fullest extent possible within the Authority's available resources, and where it is proportionate and appropriate, the Broads Authority will make efforts to:

- promote and implement procurement processes that are less bureaucratic and burdensome;
- build skills, capacity and expertise in procurement;
- engage effectively with stakeholders to ensure that the goods and / or services being procured meet their needs and (where appropriate) involve them in the procurement process;
- engage effectively with suppliers through market days, pre-procurement dialogue, and provide transparent feedback, making them aware of trading opportunities and securing their input and expertise;
- use procurement in a socially and environmentally responsible way, promoting fair employment practices (including the Modern Slavery Act 2015), ethical sourcing practices, and environmental sustainability wherever possible;
- seek feedback from suppliers and use this learning to further improve procurement processes; and
- promote collaborative working where appropriate to make best use of existing expertise, resources, and to share best practice.

6. Procurement principles

6.1. The Authority's guiding principles for procurement are that:

- all procurement should contribute to the strategic and / or operational aims and objectives of the Authority, as set out in the Broads Plan;

- the Authority will apply a consistent, corporate and collaborative approach to procurement across Directorates;
- the Authority will comply with all (UK and EU) legal requirements and relevant government guidelines in the procurement of goods and services, including regulations set down by Her Majesty's Revenue and Customs (HMRC);
- procurement is a long-term process, and should include arrangements for effective contract management and review;
- the Authority will encourage collaboration and joint procurement initiatives with other bodies including (where appropriate) local authorities and national park authorities, to deliver best value services and secure value for money and economies of scale;
- the Authority will seek to further adaptation and mitigation to climate change through its purchases, and will encourage the procurement of environmentally sound services and products. The Authority will seek to:
 - use recycled paper (with a target that over 80% of paper is made from recycled materials);
 - achieve the lowest practicable power usage of all IT and electrical equipment; and
 - use only FSC/PEFC (Pan European Forest Certification) accredited timber where possible.
- the Authority will seek to use procurement to deliver community benefits, for example by promoting equalities and fair employment practices (including the Modern Slavery Act 2015), by including social value criteria within tender evaluations where appropriate; and
- the Authority will seek to establish evaluation criteria for tenders which give an appropriate weighting to quality, cost and social and environmental impacts. It is good practice to apply similar criteria to quotations sought for procurements below the tender threshold, where this is practical and appropriate to the goods or services being procured.

6.2. Within the framework of these overarching procurement principles, the Authority will have regard to the principles of Best Value and its own Core Values³. The

³ Core Values are important and enduring beliefs or ideals shared by the staff and members of the Broads Authority about what is good or desirable and what is not. They exert a major influence on our behaviour and serve as broad guidelines in all situations. They include: commitment, caring, open and honest, sustainable and exemplary.

Authority will apply a sound competition policy, which will be designed to provide value for money and to deliver goods and services of the required quality.

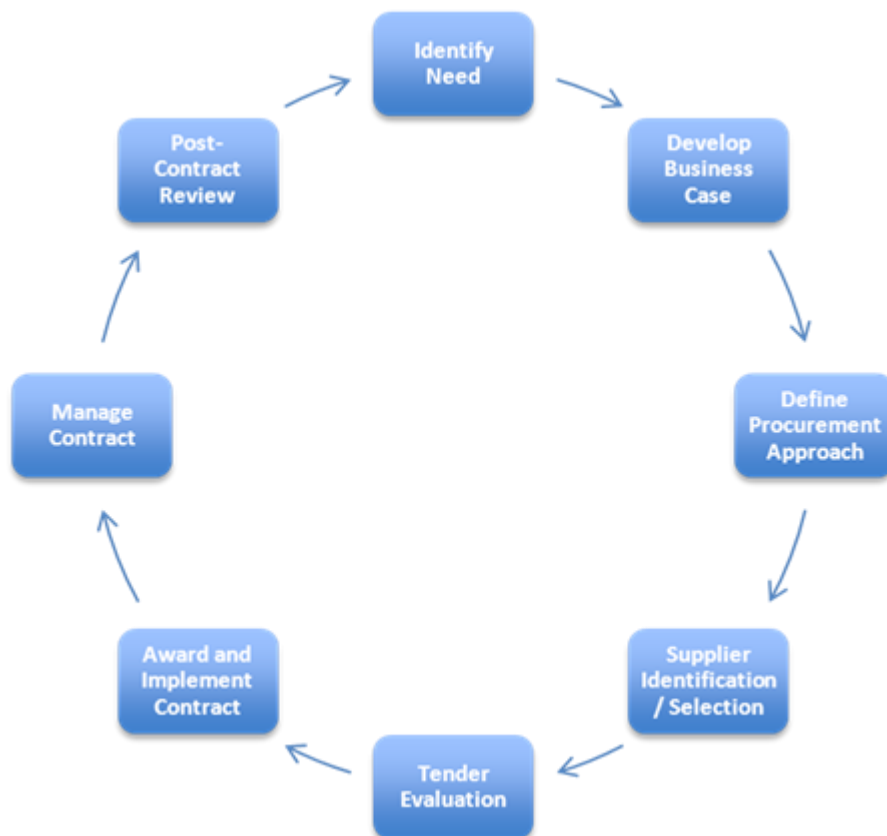
7. Best value

7.1. The principles of Best Value are based on the achievement of value for money through a combination of economy, efficiency and effectiveness, which are defined in the following terms:

- **Economy:** acquiring human and material resources of the appropriate quality and quantity at the lowest cost.
- **Efficiency:** producing the maximum output for any given set of resource inputs or using the minimum outputs for the required quantity and quality of service provided.
- **Effectiveness:** having the organisation meet the citizens' requirements and having a programme or activity achieve its established goals or intended aims.

8. The procurement process

8.1. The diagram below sets out the generic steps in the process for a larger procurement.



- 8.2. The procurement process should be seen as a cycle and the importance of the latter stages, including the ongoing management of contracts and post-contract review activities, should not be underestimated.

9. Good practice

- 9.1. The Authority seeks to conduct its affairs openly and transparently. All decisions about procurement should therefore be open and justifiable, and based on clear and relevant criteria (whilst having regard to the need to protect the confidentiality of information provided by bodies and individuals completing tenders). All procurement decisions must comply with the Authority's Financial Regulations and Standing Orders Relating to Contracts. The latter provide guidelines in respect of the procedures for preparing evaluation criteria, opening tenders and letting contracts.
- 9.2. The procurement process is subject to scrutiny by a range of stakeholders, including the Authority's Internal and External Audit functions. It is essential that all stages of the tendering process are properly recorded, in accordance with Standing Orders Relating to Contracts.
- 9.3. The Authority has established the following principles of good procurement:
- procurement processes should be designed to give the Authority sufficient information to form a view of the competence of potential service providers and suppliers, but without placing an undue burden on them;
 - potential suppliers and service providers should understand clearly from the outset of any procurement what service standards are expected. They should be provided with adequate, accurate and timely information at all the relevant stages of the procurement process;
 - all potential suppliers and service providers will be subject to the same requirements to ensure fair competition and will be treated equally throughout the procurement process;
 - to promote innovation in service delivery, care should be exercised to avoid taking too narrow a view of how the service might be delivered as this may limit the options and deter potential providers; and
 - in order to be able to demonstrate that procurement has been undertaken in an open and transparent manner, the Authority will ensure that tenderers for larger contracts (with a value of over £25,000) are fully aware of the basis for bid evaluation and that all stages of the procurement process can be audited satisfactorily with reference to the Authority's Procurement Strategy and Financial Regulations, which will be made available to all tenderers.

- 9.4. The evaluation of tenders should be systematic, objective and well documented to provide a clear and logical audit trail. Unsuccessful tenderers should be told the outcome of the tender, and on what grounds their tender was unsuccessful. In the case of a tender conducted under the OJEU process, a standstill period must be incorporated into the timetable following the notification of the contract award.
- 9.5. The Authority will seek innovation in the delivery of services, while having due regard to the needs of economy, efficiency and effectiveness. The Authority therefore will not discount without careful consideration arrangements which might enable it to be more innovative in its approach to procurement, which might include working in partnership with other bodies or making greater use of electronic processes.
- 9.6. Contracts that involve construction / development of sites exceeding £250,000 are considered high risk / high value. These type of contracts will require a risk assessment prior to the procurement process to ensure that appropriate consideration is given to the contract length, type of procurement, contract management required, whole of life cost and impact on the Authority. The Risk Management Policy provides guidance on risk identification. These contracts will also be subject to a post implementation review (PIR) to ensure that lessons learned are incorporated into future procurements.
- 9.7. For high risk / high value contracts, serious consideration should be given to a partnership arrangement.
- 9.8. All tenders should be prepared with due regard to identifying an appropriate approach to risk sharing, which takes into account both cost implications and the party which is best placed to bear the individual risks.

10. Competition

- 10.1. The Authority encourages fair competition in accordance with the principles and objectives set out in this Strategy.
- 10.2. The Authority makes no assumptions on the best method for supply / service provision. Its policy is to procure contracts through open competition based on the Authority's procurement objectives and to determine contracts based on best value, quality and the most effective delivery of the service.
- 10.3. Existing (long-term and other) partnerships and / or contracts are not exempt from the competition requirement and will be reviewed regularly to assess whether they are continuing to deliver value for money, or whether changes should be made. Where it is considered that a contract is not delivering value for money, and / or is

failing to meet the standards set out in the contract, further action may be considered.

- 10.4. Where it is established that there are no realistic competitors for the provision of a specialist service, this must be agreed and formally documented by the Chief Executive as a Waiver of Standing Orders.

11. Social value and “green” procurement

- 11.1. The Public Services (Social Value) Act 2012 places a duty on the Authority to consider, when undertaking certain types of procurement, how what is proposed to be procured might improve the economic, social and environmental well-being of the local area, and how, in conducting the process of procurement, it might act with a view to securing that improvement. These issues should be considered at the pre-procurement stage and may include “social” specifications and contract performance conditions. It is essential that where social value is to be considered as part of a tender response, the Authority’s requirements are clearly set out within contract specifications, and appropriate criteria are established for tender evaluation.
- 11.2. Social considerations may include exploring how procurement activity can be used to:
- encourage apprenticeships;
 - promote equalities;
 - encourage development of the “living wage”; and
 - promote opportunities for small, local firms.
- 11.3. The Authority expects main contractors to act fairly with those in their supply chains and, where feasible, will mandate timely payment to subcontractors through contract clauses.
- 11.4. The Authority will strive to ensure that all decisions in relation to the procurement of goods, materials and services are taken in line with its sustainability commitments, and that where opportunities arise, commercial relationships are formed and nurtured with partnering and contracting organisations who share the Authority’s values on sustainability.
- 11.5. In particular the Authority will aim to minimise the environmental impact of its purchases/procurement through rigorous use of the “four R’s”. These are:

- **Reduce:** by only purchasing new goods that are absolutely necessary (i.e. when it is not possible or viable to re-use or repair goods already purchased);
- **Re-use:** by purchasing products, where possible, that can be used many times rather than disposable items;
- **Repair:** by purchasing, where possible, products that have been designed and manufactured to allow for the repair and replacement of individual parts; and
- **Recycle:** by purchasing, where possible, products made from recycled materials, and / or that may be recycled themselves.

- 11.6. The Authority will seek to ensure that in all procurements the environmental aspect is taken into account as an essential and integral part of the contract. This will entail specification writing, tender evaluation criteria and contract conditions which give adequate weight to the environmental dimension. It is recognised that there can be some subjectivity in determining where to draw the line in balancing sustainability and cost. In a tendering exercise this should be reflected in the weighting criteria. In other procurements, the successful bidder will generally be determined on the basis of the “most economically advantageous quotation” and the award criteria should therefore also be defined in advance to provide a suitable weighting for sustainability considerations. It is recognised that almost all procurements are different and each case should be treated on its merits. If in doubt, staff should take advice from their appropriate Head of Service or Director. In particular advice should be sought from the Chief Financial Officer if guidance is required on the drafting of tender evaluation criteria, in order to comply with Standing Orders Relating to Contracts.
- 11.7. Care must be taken to ensure that where social or environmental criteria are used as part of tender evaluations, the requirements for transparency and fair competition are safeguarded. It is particularly important that the evaluation takes into account the social or environmental elements of the goods or services to be supplied, but should not seek to make an assessment of the overall business activities of a prospective supplier.
- 11.8. The Authority will ensure that all vehicles acquired have low emissions of local air pollutants and climate change gases, having regard also to essential operational requirements, and will take account of the need to minimise emissions and exposure to air pollution when purchasing all goods and services.
- 11.9. The Sustainability Exchange is responsible for advising the Authority’s overall performance on sustainability.

12. In-house and outsourced services

- 12.1. The Authority operates a predominantly “in-house” approach to service delivery. Where the Authority decides to investigate the outsourcing of any complete services, this would be undertaken on the basis of a robust and comprehensive business case which would include a full options appraisal and cost comparison.

13. Contract management

- 13.1. Effective contract management is a key ongoing element of the procurement process, and relates to the proactive monitoring, review and management of contractual terms secured through a procurement activity. Contract management should be used to ensure that what is agreed in procurement is ultimately delivered by the supplier and should therefore include monitoring of compliance with the agreed contractual terms and conditions. Following the completion of any significant contract, a review should be completed in order for any lessons to be fed back into the procurement process to help to deliver continuous improvement.

14. National Procurement Strategy for Local Government in England

- 14.1. The National Procurement Strategy for Local Government in England sets out a vision for local government procurement and identifies four key areas for development. The Authority will seek to deliver in these areas as follows:
- **Making Savings:** Procurement is recognised as a key activity which can deliver savings and efficiencies. The Authority engages with partner organisations where appropriate to undertake joint procurement and establish shared service arrangements. Knowledge, posts and services are shared with appropriate partners. Processes for reviewing existing procurement arrangements are in place and this Strategy is aligned to best practice.
 - **Supporting Local Economies:** The Authority will seek to maximise the economic, social and environmental benefits to communities of its procurement by including assessment criteria relating to these areas within tenders, where appropriate.
 - **Leadership:** The Authority recognises the strategic importance of procurement, and this Strategy therefore emphasises the importance of contract management and confirms the role of procurement as a long-term, cyclical process.
 - **Modernising Procurement:** The Authority will employ e-procurement approaches where appropriate to streamline and simplify the tender process, and recognises the potential benefits offered by the new EU directives.

15. Review

- 15.1. This Strategy will be reviewed every three years, or more frequently where there are significant changes in the environment within which the Authority operates. Responsibility for ensuring that regular reviews are carried out lies with the Chief Financial Officer.

Audit and Risk Committee

21 July 2020

Agenda item number 14

Corporate Risk Register – 6-month review

Report by Head of Governance

Summary

The Broads Authority's Corporate Risk Register (formally known as the Strategic Risk Register) has been reviewed and updated. The Directorate Risk Registers and the Risk Management Policy have also been reviewed and updated.

Recommendation

To approve the updated Corporate Risk Register.

1. Risk Registers

- 1.1. The Audit and Risk Committee's responsibilities for risk are set out in the Committee's Terms of Reference. For the Corporate Risk Register (previously called the Strategic Risk Register), these are to make sure the Register adequately addresses the Authority's risks and priorities; to monitor the effective development and operation of the Authority's risk management; and to monitor progress in addressing risk-related issues reported to the Committee, and seek assurance that risks are being managed within the risk appetite of the Authority.
- 1.2. The Corporate Risk Register (Appendix 1) sets out the 'across the board' risks that could threaten the Authority's core business and the way it operates.
- 1.3. Below this are Directorate Risk Registers, which identify risks that could threaten day-to-day operational activities. These Registers are managed by each Director. Where a new risk identified within a Directorate has a revised risk score above 16 (high risk), it is automatically referred to the Corporate Risk Register for monitoring by the Audit and Risk Committee and the Management Team. If new mitigation measures put in place then reduce the risk's score to below 16 (moderate to low risk), the risk will be removed from the Corporate Risk Register, but retained on the Directorate register.
- 1.4. The Management Team has overall responsibility for the registers, and risk owners are responsible for reviewing and updating their individual risks. Every risk is reviewed at least six-monthly, or when there is a significant change in circumstances, with a note in the register of the date the risk was last reviewed. The registers are maintained on the Authority's intranet.

2. Review of Corporate Risk Register – July 2020

- 2.1. The six-month review of the Corporate Risk Register is at Appendix 1. A new risk has been added to the register in light of the current pandemic situation.

3. Risk Management Policy

- 3.1. The Risk Management Policy (Appendix 2) was reviewed and updated in January 2020. The policy sets out the Authority's rules and standards for managing strategic and operational risk, and guides staff in assessing, monitoring and managing risk.

Author: Maria Conti

Date of report: 07 July 2020

Appendix 1 – Corporate Risk Register (July 2020)

Appendix 2 – Risk Management Policy

Broads Authority Corporate Risk Register (July 2020)

Impact area People, finance, assets, performance, reputation	Risk no.	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk (controls/safeguards/precautions) What we have done to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next year	Risk owner Officer ultimately responsible for the risk
People	1	Loss of key staff knowledge and expertise	Loss of knowledge, expertise or working associations, due to key staff leaving the BA or not being available for long periods	19/8/2019	4	4	High risk 16	Plan in place for handover period when key staff leave BA or are absent for significant periods HR policies and procedures in place to monitor absence and to support staff retention Electronic data storage being reviewed to support access to any officer's files Business Continuity Plan in place with system back up	3	3	Medium risk 9	Continue Data Project to ensure access to all staff e-folders Draft resilience plan for key staff and services (by summer 2020) Review Business Continuity Plan (by end 2020)	Chief Executive
Reputation	2	Harmful actions undermining public confidence in BA	Damage caused by comments/actions by BA Members or Officers, with consequent harm to relationships with stakeholders or undermining of public confidence in BA	19/8/2019	2	4	Medium risk 8	Code of Conduct for Members in place containing Nolan Principles of Conduct and training given to all Members Code of Conduct for Officers in HR policies Protocol on Member and Officer Relations in place Proactive communication policy with local media and social media in place New Monitoring Officer and Deputy Monitoring Officer appointed, with specialisms in Local Authority governance.	2	3	Medium risk 6	Review and rewrite constitutional and corporate documents to make them shorter and clearer	Chief Executive
Assets	3	Loss of key physical assets	Damage, loss or malfunction to key assets, impacting on BA functions/ duties and affecting public access or services (e.g. navigation, moorings, Mutford Lock, rail bridges, Port of Norwich)	19/8/2019	3	4	Medium risk 12	Asset Management Strategy in place Integrated Access Strategy and Moorings Strategy in place (updated 2019) Legal undertaking and regular meetings in place with Network Rail regarding rail bridge maintenance BA attendance at Network Rail meetings Insurance in place for equipment and buildings over £250. Cover includes business interruption. Landowner negotiations processes in place	3	2	Medium risk 6	Implement action plan to consolidate network of mooring provision across system	Director of Operations

Impact area People, finance, assets, performance, reputation	Risk no.	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk (controls/safeguards/precautions) What we have done to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next year	Risk owner Officer ultimately responsible for the risk
								BA in Working Group with Norfolk County Council, New Anglia and Network Rail regarding Trowse bridge and rail swing bridges Programmed inspection regime in place and regular maintenance carried out					
Finance	4	Reduction in income	Uncertainty about BA funding from Defra from 1/4/21 and toll income, as any reduction would affect our ability to deliver our duties. Loss of money as a result of fraud incident against the BA, including cybercrime.	19/8/2019	3	5	Medium risk 15	Regular contact with Government (DEFRA) regarding Comprehensive Spending Review and COVID-19 impacts Regular input to Government consultations Prudent budgeting for Navigation and National Park expenditure. Reserves in place to mitigate against sudden drop in income. Savings identified with budget holders to ease some of COVID-19 pressures. Some significant blocks of work delivered through external funds won by BA Training in cybercrime given to all budget holders	2	3	Medium risk 6	Model expenditure options depending on proposed grant settlement and toll increases. Reviewing impact of COVID-19 on boat numbers and levels of reserves. Conclude agreement with DEFRA underwriting deficit in navigation income. Achieve cyber essentials accreditation	Chief Financial Officer
People	5	Impact on people's health	Significant public health crisis whereby imposed measures prevent visitors accessing the Broads for prolonged period	02/07/2020	5	5	High Risk 25	Strict adherence to Government guidance and mitigation measures Yare House, TICs and remote offices and facilities all risk assessed Maintain key services (Safety Management) within the Broads executive area Clear and concise internal and external communications Immediate meeting of key staff to determine appropriate actions, services and measure required to react to crisis Broads Authority convened to establish emergency powers and delegated powers needed to run the Authority	5	4	High Risk 20	Review of key services, budgets and reserves to safeguard Broads Plan delivery and externally funded projects	Chief Executive

Impact area People, finance, assets, performance, reputation	Risk no.	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk (controls/safeguards/precautions) What we have done to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next year	Risk owner Officer ultimately responsible for the risk
								Communication with relevant Government Departments to assess measures, clarify advice and safeguard funding					
Performance	6	Not meeting BA statutory purposes or the requirements of external legislation related to those statutory purposes	Underperformance in achieving, or conflict between, our statutory purposes, resulting in legal issues or adverse impacts on the Broads and stakeholders (e.g. contravening Habitats Directive, loss of navigation)	19/8/2019	3	5	Medium risk 15	Provision of external legal services and Monitoring Officer (MO) in place Constitutional documents in place Strategic plans and Broads Local Plan subject to Sustainability Appraisal and Habitats Regulations Assessment Detailed environmental practices in place, including Environmental Standard Operating Procedures Collaborative working ongoing with key stakeholders to understand and address issues and risks Officer level project boards in place with Wildlife Trusts, Natural England and Environment Agency to monitor progress and ensure compliance with statutory regulations Scientific research and monitoring ongoing to assess impacts, and mitigation measures developed if potential harm identified.	2	2	Low risk 4	Monitor external legal and MO services. Develop timetable for Broads Plan review	Chief Executive
Performance	7	Not meeting statutory duties as a local planning authority	Underperformance of planning function resulting in legal issues/ negative impacts	19/8/2019	3	4	Medium risk 12	Statutory duties identified as part of appraisal process with key staff Staff training in place Planning delivery monitored formally (Planning Committee review performance quarterly and appeals annually)	2	4	Medium risk 8	Continue to monitor delivery	Director of Strategic Services
People	8	Safety incidents resulting in death or serious injury	Death or serious injury to staff, volunteer or member of public while carrying out operational works	19/8/2019	5	5	High risk 25	Health and safety policies in place and reviewed regularly by H&S Committee and risk owners Safety Committee monitors and reviews incident reports and risk assessments reviewed and updated regularly	2	5	Medium risk 10	Monitor changes in H&S legislation Monitor industry best practice and implement changes where required Review Codes of Practice to maintain	Director of Operations

Impact area People, finance, assets, performance, reputation	Risk no.	Risk name Risk that may affect the BA	Risk description Impact on delivery of BA objectives, service delivery, reputation	Date entered on risk register	Initial likelihood Score 1-5	Initial severity Score 1-5	Initial risk score Likelihood x severity	Tasks to mitigate risk (controls/safeguards/precautions) What we have done to date, noting any other factors that may influence the risk	Revised likelihood Score 1-5	Revised severity Score 1-5	Revised risk score Likelihood x severity	Additional actions required What we plan to do within the next year	Risk owner Officer ultimately responsible for the risk
								<p>All staff and volunteers trained in key H&S issues, regular tool box talks given before carrying out tasks</p> <p>Safety Observations - ONS system in place to catch near misses and learn from incidents. All accidents investigated. Regular audits used to check control measures.</p> <p>Insurance in place for legal expenses</p> <p>Quarterly reports on Health and Safety Monitoring assessed by Management Team</p> <p>Safety System externally audited to ensure fit for purpose and compliance.</p>				<p>operational suitability and safety end 2020</p> <p>Safety Officer to carry out internal review of key H&S legislation to ensure BA processes are appropriate (end 2020)</p>	
Reputation	9	Disruption in key project partnerships	Failure to deliver projects on time and within budget leading to potential financial issues, lack of service delivery or adverse publicity	19/8/2019	3	4	Medium risk 12	<p>Contractual arrangements in place for key partnerships (see Partnerships Register)</p> <p>Regular project progress reporting to BA members</p> <p>Proactive role maintained within formal and informal partnerships at officer and member level</p> <p>Regular meeting with funders to discuss progress and highlight issues in timing or delivery</p>	3	3	Medium risk 9	<p>Review and update Partnerships Register (by Nov 2020)</p> <p>Develop risk register for UK NP Comms Team</p>	Chief Executive
Performance	10	Breach in data security or data protection, or loss of data	Failure by staff to follow IT and/or GDPR processes or protocols resulting in in-built security being bypassed and allowing data loss or data breach	19/8/2019	4	4	High risk 16	<p>Data/IT systems secured through firewalls, anti-virus software, password and security policies, online training for staff and HR policy</p> <p>Bi-annual internal audit of IT systems and processes carried out</p> <p>Certified GDPR Data Protection Officer(s) and GDPR Compliance Plan in place, and data protection training given to all staff</p> <p>ICT reviewed IT security protocols as staff working from home to ensure compliance</p>	2	4	Medium risk 8	<p>Monitor and review case law and keep up to date with GDPR and data protection information/ best practice</p> <p>Provide refresher GDPR & Data Protection online training via ELMS to all staff (by end 2020)</p>	Director of Operations

Prepared by: Management Team, Head of Governance
Date updated: July 2020
Next update due: January 2021

Risk Management Policy

1. Introduction

- 1.1. This document sets out the Broads Authority's rules and standards for managing strategic and operational risk, and guides staff in assessing, monitoring and managing risk on a day-to-day basis.

2. Defining risk

- 2.1. In this context, 'risk' refers to an uncertain event, or set of events, which may affect the Authority's ability to operate its business or achieve its aims and objectives. An 'uncertain event' is one that might happen, rather than one that will definitely happen or is happening already.
- 2.2. Each risk has the key dimensions of 'likelihood' and 'severity'. Likelihood is the probability the event will happen, while severity is the impact the event would have if it happened.

3. Managing risk

- 3.1. The Authority must be able to consider the risks that may threaten or affect the running of its business and delivery of its aims and objectives, and make sure it has controls and mitigation measures in place to minimise those risks.
- 3.2. The international standard for risk management (ISO 31000) sets out useful guidance on risk management, emphasising that it should be integral to all processes and for all staff. Good principles for managing risk are that:
 - It needs to be systematic, structured and timely.
 - It is based on the best available information, including historical data, stakeholder and customer feedback, forecasting and expert judgment. It should be tailored to the organisation's internal and external context and risk profile.
 - It takes human and cultural factors into account, recognising that people's capabilities, behaviours and intentions can either help or hinder the organisation's objectives.
 - It is transparent and inclusive, needing the timely and appropriate involvement of stakeholders and decision makers at each stage, and ensuring proper representation of all those affected.

- It needs to be iterative, dynamic and responsive to change, taking account of changes in the internal and external environment.
 - It needs to demonstrate continuous improvement.
- 3.3. Not having risk management procedures in place could result in a failure to identify and monitor risks, or apply appropriate and proportionate mitigation measures. It is also important to bear in mind:
- Our stakeholder and public expectations that we manage risk effectively;
 - the demands of legislation and external bodies, such as regulators and auditors;
 - the value of risk management in making informed decisions about the effective use of capital and resources, and in reducing costly mistakes or firefighting;
 - the desire to make the organisation a better and safer place to work, and for others to work with.

4. Roles and responsibilities

Audit and Risk Committee

- 4.1. The Audit and Risk Committee oversees the development and operation of risk management at a strategic level, and regularly reviews the Corporate Risk Register.

Management Team

- 4.2. Management Team (MT) is responsible for monitoring and managing risk across the organisation and making sure we have effective policies and procedures in place. MT oversees the review of the Risk Management Policy and Corporate Risk Register, with support from the Head of Governance. Any significant corporate issues relating to risk management are brought to the Audit and Risk Committee's attention.

Directors

- 4.3. Directors are responsible for making sure risk management is embedded into the work of their Directorates, that risk owners and all other staff are aware of its importance, and that appropriate mitigation measures are in place. Directors are also responsible for their Directorate Risk Registers, which focus on day-to-day operational activities. They will bring MT's attention to any concerns or instances where ineffective risk management is impacting on the Authority's business or the achievement of its key aims and objectives.

Risk owners

- 4.4. Risk owners are responsible for monitoring and managing their assigned risks on a day-to-day basis. They will review their risks on a regular basis (at least every six months, or when circumstances change significantly) and make sure the registers are updated accordingly. Risk owners will bring their Director's attention to any concerns or instances where ineffective risk management may be impacting on the Authority's business or the achievement of its key aims and objectives.

Other staff

- 4.5. Risk management is not a specialist activity or only for nominated 'risk owners'. It is a core part of everyone's job, and should be embedded throughout the organisation and its activities. A risk management assessment should be part of planning and implementing all activities, with risks identified and mitigation measures put in place.

5. Risk Registers

Types of register

- 5.1. The Authority maintains a strategic Corporate Risk Register. This is supported by operational Risk Registers for its Strategic Services Directorate, Operations Directorate and Chief Executive's Group.
- 5.2. The **Corporate Risk Register** sets out the 'across the board' risks that could threaten the Authority's core business and the way it operates. The Corporate Risk Register is maintained on the Authority's intranet.
- 5.3. **Directorate Risk Registers** identify risks that could threaten day-to-day operational activities. The Registers are maintained by each Director. Where a new risk identified within a Directorate has a revised risk score above 16 (high risk), it will automatically be referred to the Corporate Risk Register for monitoring by the Audit and Risk Committee and MT. If new mitigation measures put in place then reduce the risk's score to below 16 (moderate to low risk), the risk will be removed from the Corporate Risk Register, but retained on the Directorate register.
- 5.4. MT has overall responsibility for the registers, and risk owners are responsible for reviewing and updating their individual risks. Every risk should be reviewed at least six-monthly, or when there is a significant change in circumstances, with a note in the register of the date the risk was last reviewed.

Format

- 5.5. All registers have the following information:
 - Area impacted by the risk (people, finance, performance, reputation or assets)
 - Risk name and description
 - Date entered on risk register
 - Initial risk scores (likelihood and severity)
 - Tasks to mitigate the risk (controls/safeguards/precautions)
 - Revised risk scores (likelihood and severity)
 - Additional actions required
 - Risk owner (by job title)

6. Assessing risk tolerance levels

- 6.1. The Authority assesses risk against the matrix and scoring descriptions in Tables 1 to 4. For each risk, the dimension scores of **likelihood** and **severity** are multiplied to produce an **initial risk score**. When mitigation measures are identified, the two dimensions are scored and multiplied again to produce a **revised risk score**. This score is categorised as being a low, medium or high **level of tolerance**.

Table 1

Risk scores matrix

Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
Severity						

Table 2

Likelihood definitions

Rating	Definition	Value
Highly likely	The event is expected to occur	5
Probable	The event will probably occur	4
Possible	The event may occur at some time	3
Unlikely	The event is not expected to occur in normal circumstances	2
Rare	The event may occur only in exceptional circumstances	1

Table 3

Severity definitions

Schedule	Cost	Performance and quality	Value
<2 weeks delay	<1% of budget	Cosmetic impact only	1 Insignificant
2 weeks to 1 month's delay	1%-<2%	Some minor elements of objectives affected	2 Minor
1 month to <2 months delay	2%-<8%	Significant areas of some objectives affected	3 Moderate
2 months to <4 months delay	8%-<12%	Wide area impact on some objectives	4 Major

Schedule	Cost	Performance and quality	Value
>4 months delay	>12% of budget	Significant failure resulting in the project not meeting its objectives	5 Extreme

Table 4

Risk level tolerance

Total score	Risk treatment
High 16-25 Red risk	Risks are so significant that risk treatment is mandatory
Medium 6-15 Amber risk	Risks require a cost benefit analysis to determine the most appropriate treatment
Low 1-5 Green risk	Risks can be regarded as negligible, or so small that no risk treatment is required

- 6.2. When a potential new action or objective is assessed for risk, MT will review the revised risk score suggested by the risk owner to make sure it is robust and reasonable.
- 6.3. Where a risk score is above the tolerance level of 16 (high risk), the Chief Executive will immediately bring the risk to the attention of the Chairman of the Authority and the Chairman of the Audit and Risk Committee.

7. Risk management tools

Risk identification

- 7.1. Identifying a new risk can happen at any time, but is most likely:
- when the Authority takes on a new responsibility, scheme or project;
 - as a result of an unforeseen incident or event; or
 - as part of the annual review of risks by MT or Directorate teams.
- 7.2. A number of tools can help with risk identification, including those outlined below.
- PESTLE looks at factors outside the organisation that can influence it, and stands for:
- Political – government policy and stability
 - Economic – employment rates, material costs and interest/exchange rates
 - Social – demographics, cultural trends and changes in lifestyle
 - Technology – innovation and development
 - Legal – employment, health and safety legislation and regulations
 - Environmental – climate, carbon footprint, sustainability, recycling, waste disposal

APRICOT looks at factors within the organisation that may be affected, and stands for:

- Assets – land, buildings, contents, materials and equipment
- People – safe working systems, health and welfare
- Reputation – poor media coverage, political embarrassment
- Information – IT failures
- Continuity of Operations – failure to deliver or poor service
- Targets – failure to meet strategic objectives and achieve value for money

Risk mitigation

- 7.3. Once a risk is identified, mitigation measures need to be considered. Initially, this can be defined simply as ‘tolerate, transfer, treat or terminate’.
- 7.4. A new risk should be reported to the appropriate Director as soon as possible by any officer so it can be entered in the relevant Directorate Risk Register. The Director will then assess whether the risk should be entered in the Corporate Risk Register.
- 7.5. When a new corporate risk is identified, MT will assess the mitigating measures in place or proposed, and whether these will manage the risk to ‘as low as reasonably practicable’. This process looks at whether the likelihood and severity of the risk is addressed adequately, and whether the Authority needs to enter into the risk, assuming it is optional, bearing in mind how the activity itself will further the Authority’s objectives and the level of risk associated with it.

8. Review timetable

- 8.1. In addition to the regular review by risk owners, MT will review the Corporate Risk Register every six months to consider whether:
 - the identified risks are appropriate and up-to-date
 - the actions and controls in place are adequate and appropriate
 - the revised risk score is appropriate
 - any additional action is needed to help mitigate the risk
 - any new risks should be added to the Register, either for new activities or for existing activities where the risk level may have increased.
- 8.2. The Corporate Risk Register will be reviewed by the Audit and Risk Committee twice a year. Where a risk score has increased, the reasons for the change will be set out.

Policy update: January 2020

Contact officer: Head of Governance