Audit and Risk Committee

Agenda 19 November 2019

2.00pm

Yare House, Thorpe Road, Norwich, NR1 1RY

Committee papers and accessibility

You may notice that our committee papers look a bit different. We have redesigned them to comply with new accessibility regulations for public sector websites that came into effect in September 2018. 'Accessibility' means making sure documents we produce for the web can be accessed by people with disabilities, including those with low vision and those who use a screen reader. The new style will be introduced for all our committees, starting with the Authority's annual meeting on 26 July.

Our thanks go to the Norfolk and Norwich Association for the Blind for testing our new templates and helping with staff training.

If you have any questions or comments, please email us at committees@broads-authority.gov.uk or telephone 01603 610734.

Introduction

1. To receive apologies for absence
2. **Appointment of Chair**
   Nominations for Chair have been received for:
   Louis Baugh, proposed by Bill Dickson, seconded by Nicky Talbot
3. **Appointment of Vice Chair**
   Nominations for Vice Chair have been received for:
   Nicky Talbot, proposed by Louis Baugh, seconded by Bill Dickson
4. Introduction of members and declarations of interest
5. To note whether any items have been proposed as matters of urgent business
6. Public question time – to note whether any questions have been raised by members of the public
7. **To receive and confirm the minutes of the Audit and Risk Committee meeting held on 23 July 2019** (Pages 3-10)

Financial Direction

8. **Statement of Accounts 2018/19** (Pages 11-94)
   Report by Chief Financial Officer

9. **Annual audit results 2018/19** (Pages 95-143)
   Report by Chief Financial Officer

10. **Preparation for the 2020/21 budget including 2019/20 actuals** (Pages 144-161)
    Report by Chief Financial Officer

Risk Management

11. **Risk management register and policy: Update** (Pages 162-169)
    Report by Head of Governance

12. **Corporate partnerships register** (Pages 170-181)
    Report by Head of Governance

Audit

13. **External audit** (Pages 182-192)
    Report by Chief Financial Officer

14. **Implementation of internal audit recommendations: summary of progress** (Pages 193-211)
    Report by Chief Financial Officer

Other Matters

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 3 March 2020 at 2.00pm at Yare House, 62/64 Thorpe Road, Norwich

Audit and Risk Committee

Minutes of the meeting held on 23 July 2019

Contents

Present

Louis Baugh – in the Chair, Jacquie Burgess, Greg Munford (agenda items 6 to 16), Nicky Talbot, Haydn Thirtle

In attendance

John Packman – Chief Executive, Emma Krelle – Chief Financial Officer, Maria Conti – Head of Governance, Esmeralda Guds – Administrative Officer, Faye Haywood – Internal Audit Manager, Vicky Chong – Audit Manager from External Audit, Ernst & Young LLP

1. Apologies and welcome

The Chairman welcomed everyone to the meeting.

Apologies were received from Mark Hodgson – Associate Partner, Ernst & Young LLP.

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 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.

No members of the public were present.

2. Items of urgent business

There were no items of urgent business.

3. 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.

4. Minutes of Audit and Risk Committee held on 5 March 2019

The minutes of the meeting held on 5 March were approved as a correct record, subject to minor typos, and were signed by the Chairman.

5. Public question time

No public questions had been received.

6. Internal Audit Annual Report and Opinion 2018/19

The Internal Audit Manager gave a summary of the report, highlighting that the opinion had received a positive 'reasonable' assurance. The report drew upon the outcome of Internal Audit work over the year and a conclusion on the effectiveness of the audit.

Members were assured that, following the Authority's recent cybercrime incident, all budget holders had received refresher training from Barclays Bank on detecting fraud and scams. Correct procedures had always been in place and would now be part of the induction process for new staff. Police were still investigating the fraud incident. The incident was not covered by existing insurance policies; additional cover was being investigated with other providers as it was felt the initial quote with an excess of £25,000 was too high. The Internal Auditors confirmed they would continue updating the Authority on the latest scams.

A member asked if there were consequences of anyone misusing the Broads National Park branding. It was explained that the Authority was looking at gaining legal advice on trademarking the brand, which would offer some protection against misuse.

The Committee approved the Annual Report and Opinion of the Head of Internal Audit and noted:

- **that a 'reasonable' audit opinion had been given in relation to the framework of governance, risk management and control for the year ended 31 March 2019**.
- **that the opinions expressed should be given due consideration, when developing and reviewing the Authority's Annual Governance Statement for 2018/19.**
- **the conclusions of the Review of the effectiveness of Internal Audit.**

7. Review of Annual Governance Statement and Code of Corporate Governance

The Chief Executive welcomed the Head of Governance to her first meeting in her new role.

The Head of Governance took members through the updated Annual Governance Statement (AGS), which incorporated the updated Code of Corporate Governance (CCG) and the AGS Action Plan. All actions in the 2018/19 plan had been completed, apart from two which were taken forward into the 2019/20 action plan.

The Chief Financial Officer (CFO) clarified that, although the audit had been delayed, the AGS and CCG could be signed by the Authority on 26 July 2019 if members approved it.

Referring to the Peer Review Action Plan, the Chief Executive informed members of ongoing action to increase the Authority's relationship with the local authorities. It had been agreed that he would attend Norfolk Chief Executive meetings on a quarterly basis, and the Chairman and Chief Executive the Norfolk Leaders meeting every six months. Councillor William Nunn, the previous Leader of Breckland Council, had offered to work with the new Chair and Vice-Chair of the Authority. Members felt this was a positive development and welcomed Cllr Nunn's offer.

The Chief Executive reported that the Authority would be carrying out a staff survey in the Autumn. The survey would use the 'Sunday Times 100 best companies to work for' scheme, asking staff to comment against eight factors, and would allow the Authority to benchmark their feedback against similar organisations. To keep costs down it was proposed to carry out the survey every other year, rather than annually.

The Committee noted that the Authority’s systems of governance and internal control were considered to be adequate and effective, and recommended the Annual Governance Statement for approval by the Broads Authority on 26 July 2019. The Committee also noted the updated Code of Corporate Governance.

8. Draft Statement of Accounts 2018/19

The report gave an update on the Authority’s Statement of Account and its audit for the year ended 31 March 2019.

The CFO thanked members who attended the training session on the Statement of Account on 12 July, and introduced the report. She highlighted that the movement from a net asset in 2017/18 to a net liability position in 2018/19 Statement of Accounts was due to the increase of the Pension Fund Liability at the end of the financial year.

It was explained that a further pension adjustment would be required following an updated pension report being received from the Actuary. The additional report had been issued following the McCloud ruling and Guaranteed Minimum Pension (GMP) Indexation.

The Audit Manager from External Audit apologised that Ernst & Young LLP had not been able to deliver the audit in time this year, due to staffing resource issues. As they did not want to compromise the quality of the audit, they had deferred the start date to 14 October 2019.

The CFO commented on the impact this delay would have on the Authority, especially as DEFRA expected to receive auditing accounts by a certain date, namely 31 July 2019, as part of the grant agreement. It would mean writing to DEFRA explaining that the accounts had been delayed through no fault of the Authority. The delay would also affect the timetable for internal audit programs.

The Committee expressed their disappointment with the external auditors for not being able to carry out the audit within the given timescale. It was commented that Ernst & Young did not appear to have a statutory responsibility to deliver by 31 July and their contract was not aligned with the Authority’s legal obligation to DEFRA.

The Chairman reported that Broads Authority members were most unhappy with the July audit date, when in previous years the Authority had worked hard to trial earlier audits at the beginning of June. However, the Authority’s limited staffing had met the new imposed deadlines efficiently. At the recent finance training there was a strong consensus that the delay in audit was unacceptable, causing disruption to staff and members. It was also noted that within the audit consortium only one local authority would be completed within the deadline, and all other authorities would be completed late.

The Chairman said that the correspondence from Ernst & Young was disappointing, and was a technical response he was uncomfortable about publishing on the Authority’s website.

Reputational damage was a concern and the Chairman respectfully requested that the Audit Director draft a letter, meaningful to the facts and removing any responsibility from the Authority, which could be published on the website alongside the technical response.

Members noted the report.

9. Investment Strategy and Performance Annual Report

The CFO introduced the report, giving an overview on how the Authority had invested its funds in 2018/19 compared to the previous year.

The CFO explained the details of the Authority's investment of its unallocated cash, including the investment principles adopted and performance during the twelve months to 31 March 2019. She clarified that the figures in the table on page 77 for the 95-Day Notice Account were transposed, and should read as the highest sum being £1.5 million and the lowest sum being £500,000. Through a combination of investing some of the funds in fixed term deposits and the Notice Account, the Authority had achieved £14,476 more in interest than in 2017/18.

Members were reassured that the closing balances for instant access at the end of 2018/19 were high because toll payers started paying next year's toll fees during February and March and so the cash balances were traditionally higher during that time of the year.

Members noted the report.

10. External Audit

The report included the annual audit fee letter from Ernst & Young LLP (EY) for undertaking the 2019/20 external audit. The Committee noted the letter and the fee of £10,736, the same as for 2018/19.

The second part of the report was the quarterly Local Government Audit Committee briefing. EY's performance was discussed and it was highlighted that the firm had been appointed by the Public Sector Audit Appointments Ltd (PSAA) as the Authority's appointing person until the 2020/23 Statement of Accounts.

Members discussed the possibility of sending a joint response with other local authorities to PSAA expressing their disappointment, as PSAA were ultimately responsible for the auditors they contracted. The CFO explained that it was not an option for the Authority to change auditors at present, but it could review the scheme when it came up for renewal.

Members noted the briefing and the key questions for the Committee as set out on page 8 of the Local Authority Committee Briefing.

11. Audit Committee self-assessment exercise

The report gave an overview of the self-assessment exercise carried out in March 2019. The Chairman noted that this process had been delayed because of the Peer Review and subsequent re-badging of the Financial Scrutiny & Audit Committee as the Audit and Risk Committee.

The Internal Audit Manager reported that the self-assessment exercise was a good outcome, with little room for improvement. With changes to the Authority's membership following the local elections, it was agreed that a skills assessment should be carried out for the newly appointed ARC members to highlight any training requirements.

The Internal Audit Manager proposed that the self-assessment should be carried out annually, albeit not as detailed as the first one. The same assessment was carried out for the other authorities within the consortium, which helped with comparative benchmarking and discussion of good ideas coming from the assessments.

The Chairman thanked the Internal Audit Manager for arranging the audit and risk training for the authorities within the consortium.

Members noted the report.

12. Implementation of Internal Audit Recommendations: Summary of progress

The report updated members on progress in implementing Internal Audit recommendations arising out of audits carried out during 2017/18 and 2018/19.

The CFO advised that a revised Strategic Risk Register (SRR) would be reported to the November meeting. Where the previous SRR had been on the number of risks, both operational and strategic, the revised SRR would focus on strategic risks and changes to risk scores.

In regard to the 2019/20 audits, the external funding of the Water, Mills & Marshes programme would start in August 2019. Procurement and Key Controls had been scheduled for November and December 2019.

Members noted the report.

13. Grant Funding Agreement

The report briefed members on the recent discussions with Defra on the updating of the Grant Funding Agreement.

The Committee was informed that as part of the new agreement the Authority would have to provide annual information to DEFRA on forecast closing balances. The Chief Executive would also be required to meet with DEFRA for an annual review of performance.

Once agreed, the Grant Funding Agreement would also be rolled out to Areas of Outstanding Natural Beauty (AONB).

Members noted the progress made with Defra officials in revising the Grant Funding Agreement.

14. To consider any other 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

There were no items of urgent business for consideration.

15. Formal questions

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

16. Date of next meeting

The next meeting would be held on Tuesday 19 November 2019 (previously scheduled for 12 November 2019) at Yare House, 62-64 Thorpe Road, Norwich, commencing at 2:00pm.

The Chairman reported that his appointment to the Authority would end in March 2020 and as such he would not be present to complete the full audit year for 2019/20. He therefore asked the Committee to consider a replacement Chair at the November meeting.

The Chief Executive thanked the Chairman for all his support, especially to the Chief Financial Officer and the Finance Team, adding that he had fulfilled his role in an exemplary way.

The meeting ended at 3.34pm

Signed by

Chairman

Appendix 1

Declaration of interests Audit and Risk Committee, 23 July 2019

Member	Agenda/minute	Nature of interest
Louis Baugh	-	None
Jacquie Burgess	-	None
Greg Munford	-	None
Nicky Talbot	-	None
Haydn Thirtle	-	None

Audit and Risk Committee

19 November 2019
Agenda item number 8

Statement of Accounts 2018/19

Report by Chief Financial Officer

Summary

This report provides an update on the Broads Authority Statement of Accounts and its audit for the year ended 31 March 2019.

Recommendation

That the Statement of Accounts for 2018/19 be recommended to the Broads Authority for approval, subject to any further audit amendments or amendments suggested by the Committee.

Contents

1. Introduction

1.1. Members will recall that the Financial Performance and Direction report to the Authority on 17 May 2019 provided draft year-end figures for 2018/19, which detailed a surplus of £84,760. These figures were then used to produce the draft Statement of Accounts which were signed and published on 30 May 2019.

1.2. Following the delayed July audit Ernst and Young LLP (EY) has been undertaking their work between 14 October and 8 November 2019. Where amendments have been notified up until this date they have been incorporated into the final document included at Appendix 1. Amendments required after this date will be provided in a verbal update at this meeting. EY's draft Annual Audit Results is the next item on this agenda.

2. Changes to the 2018/19 Accounts

2.1. Whilst the draft surplus of £84,760 has remained unchanged there have been two changes to the year-end adjustments. These have impacted the allocation of interest to the closing reserve balances following a missed accrual for CANAPE claim 2 (£107,057) and adjustments to the pension liability (£332,000). Members were made aware of the pension adjustment at the July meeting following receipt of the revised actuary report based on the impact of the two court rulings on the McCloud case and Guaranteed Minimum Pension (GMP).

2.2. These adjustments have been summarised in the tables below.

Table 1

Summary Income and Expenditure by Directorate 2018/19

Income and Expenditure 2018/19	Operations £	Strategic Services £	Chief Executive £	HLF & CANAPE £	Corporate Amounts £	Total £
Fees charges and other service income	(245,921)	(441,383)	(30,185)	(674,374)	(3,396,348)	(4,788,211)
Contribution from reserves	0	0	0	0	(188,395)	(188,395)
Government Grants	0	0	0	0	(3,356,348)	(3,356,348)
Total Income	**(245,921)**	**(441,383)**	**(30,185)**	**(674,374)**	**(6,941,091)**	**(8,332,954)**
Employee Expenses	2,054,687	1,742,820	422,569	170,753	78,444	4,469,273
Other service expenses	1,675,120	794,090	674,488	635,223	0	3,778,921
Total Expenditure	**3,729,807**	**2,536,910**	**1,097,057**	**805,976**	**78,444**	**8,248,194**

Income and Expenditure 2018/19	Operations £	Strategic Services £	Chief Executive £	HLF & CANAPE £	Corporate Amounts £	Total £
Net Expenditure (Surplus)/ Deficit	**3,483,886**	**2,095,527**	**1,066,872**	**131,602**	**(6,862,647)**	**(84,760)**

2.3. The missed CANAPE accrual means that the fees and charges figure has increased whilst the contribution from reserves figure has decreased resulting in a nil movement on the net expenditure previously reported in July.

2.4. The table below provides an overview of the year-end adjustments and agrees back to the Comprehensive Income and Expenditure Statement on page 14 in the Statement of Accounts.

Table 2

Detailed adjustments of the Income and Expenditure 2018/19

Type of Income and Expenditure	Service Analysis £	Not reported to Management £	Not included in CIES £	Costs of Services £	Other Operating Expenditure, Financing and Investment Income and Government Grants £	Deficit on Provision of Services £
Fees, charges and other service income	(4,751,158)	0	0	(4,751,158)	0	(4,751,158)
Interest and investment income	(37,053)	0	37,053	0	(37,053)	(37,053)
Contributions from reserves	(188,395)	0	(305,007)	(493,402)	0	(493,402)
Government Grants	(3,356,348)	0	3,356,348	0	(3,356,348)	(3,356,348)
Total Income	**(8,332,954)**	**0**	**3,088,394**	**(5,244,560)**	**(3,393,401)**	**(8,637,961)**
Employee expenses	4,469,272	770,524	0	5,239,796	215,000	5,454,796
Other service expenses	3,743,765	0	(331,863)	3,411,902	0	3,411,902

Type of Income and Expenditure	Service Analysis £	Not reported to Management £	Not included in CIES £	Costs of Services £	Other Operating Expenditure, Financing and Investment Income and Government Grants £	Deficit on Provision of Services £
Depreciation, amortisation and impairment	0	395,175	0	395,175	0	395,175
Interest payments	35,157	0	(35,157)	0	35,157	35,157
Expenditure in relation to investment properties	0	0	0	0	(130,000)	(130,000)
Gain on disposal of Fixed Assets	0	0	0	0	(5,663)	(5,663)
Total Operating Expenditure	**8,248,194**	**1,165,699**	**(367,020)**	**9,046,873**	**114,494**	**9,161,367**
(Surplus) / Deficit on Provision of Services	**(84,760)**	**1,165,699**	**2,721,374**	**3,802,313**	**(3,278,907)**	**523,406**

2.5. Items that are included in the second column ‘Not reported to management’ under employee expenses include the year end adjustment 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 made for untaken staff leave, depreciation and movements on revaluations of fixed assets. The figure reported for employee expenses has increased by £195,000 as result of the revised actuary report since the draft Statement of Accounts was issued.

2.6. The third column ‘Not included in the CIES’ includes the removal of the DEFRA grant, interest and investment income, interest payable and expenditure in relation to investment properties (Ludham Fieldbase). These items are added back in the lines under the fourth column ‘Cost of Services’. Expenditure adjustments relate to the accounting treatment of capital expenditure, reserve expenditure and finance leases.

3. Balance Sheet

3.1. Following the adjustments for the missed income accrual and the pension adjustment the net liability has moved from £2,394,418 in the draft statement of accounts to £2,619,360. This has resulted in Short Term Debtors increasing from £701,230 to £808,287, Other long liabilities increasing from £10,708,249 to £11,040,249, Earmarked reserves increasing from £1,803,475 to £1,911,064 and the Pension Reserve increasing from £10,708,0000 to £10,812,000. The balance sheet can be found on page 17.

3.2. The bottom section of the Balance Sheet on page 17 splits the reserves between usable and unusable reserves. This year sees the introduction of the Capital Receipts Reserve within the usable reserves. This reserve has been created following the sale of the Fieldbase at Ludham, previously classified as Investment Property held for Sale. This can be used for future capital purchases or the repayment of debt. The other usable reserves can be used to fund future operating expenditure whilst 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 has moved slightly since those reported in July following the reallocation of interest. The individual balances that make up the Earmarked Reserve can be found within the Statement of Accounts under note 10, page 39. The year end balances of the reserves are:

- National Park £1,063,776
- Navigation £425,848
- Earmarked £1,911,064 of which £786,890 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 approved for issue on 26 July 2019 by the Broads Authority and is available to view on the website https://www.broads-authority.gov.uk/about-us/spending/annual-accounts.

5. Audit of the Statement of Accounts

5.1. The Authority's auditors, EY have been undertaking their audit. At the time of writing this report they had not completed their work. Their draft audit results can be found under agenda item number 9. A verbal update of their progress will be provided at the meeting.

5.2. Upon completion of any outstanding items detailed in their report the audit report will be signed and incorporated into the Statement of Accounts.

6. Financial Implications

6.1. The Statement of Accounts for 2018/19 shows revenue reserves of £1,489,624 (general reserves £1,063,776, navigation reserves £425,848) that are considered to be adequate. The navigation reserve at the end of 2018/19 stands at 12.9% of net expenditure. This is higher than the Financial Strategy forecast for the end of 2018/19. With these taken alongside the earmarked reserve balances, the Authority's reserves are therefore considered to be sound. The outturn figures for 2018/19, and their implication for the overall level of reserves, will be taken into account in future budgeting proposals, and when making decisions about income and expenditure in 2019/20.

Author: Emma Krelle

Date of report: 6 November 2019

Background papers: Draft Statement of Accounts 2018/19

Appendix 1 – Statement of Accounts 2018/19 (excluding the Audit Report and Annual Governance Statement)

BROADS AUTHORITY

STATEMENT OF ACCOUNTS

2018/19

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

Contents

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 2018/19 can be found in the link below:

https://www.broads-authority.gov.uk/__data/assets/pdf_file/0007/1571497/Strategic-Direction-and-Annual-Business-Plan-ba170519.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. This is available via the link below:

https://www.broads-authority.gov.uk/__data/assets/pdf_file/0009/1668150/Signed-Annual-Governance-Statement-2018-19.pdf

Following on from the peer review in 2017/18 the Authority agreed a peer review action plan in May 2018. Progress against the action plan has been regularly reported to committee as part of the Strategic Direction report.

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 is expected in September 2019.

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 148 or 129.04 Full Time Equivalents (FTE) as at 31 March 2019. This is split 66 (60.62 FTE) Operations, 68 (58.97 FTE) Strategic Services and 14 (9.45 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.

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, 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; Safety Management for both waterways and land based activities; and Volunteer Services which support volunteering opportunities across all areas of the Authority.

The Strategic Services Directorate consists of; Planning - responsible for all planning applications, enforcement and the Local Plan within the Authority's executive area; Strategy and Projects - responsible for setting strategy across all areas including the Broads Plan; Communications - responsible for all publications, events and visitor services; Collection of Tolls - processing the applications and payments of 12,500 boats every year; IT - supporting all of the Authority's IT systems and users; HR - supporting all of the Authority's employees; and the management of the European Regional Development Fund (ERDF) INTERREG project 'Creating A New Approach to Peatland Ecosystems' (CANAPE).

The Authority's income is supplemented by income from planning fees, contributions from landowners towards fen management and from the Rural Payments Agency, staff recharges to Whitlingham Charitable Trust, 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 2019/20, uncertainty remains about future years' settlements and their duration. In 2015/16 the Authority received a four year settlement which was the first time the Authority had been able to plan for such a period as prior years notifications had been provided on an annual basis. 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 2019/20 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 at this stage the timing is still to be determined. Whilst increases from Toll income has helped minimise the impact, this income cannot be spent on National Park purposes. The current level of 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/0004/1419277/Review-of-Strategic-Risk-Register-arc111218.pdf

Following a recommendation from internal audit's Corporate Governance and Risk Management review the risk register is due to be refreshed for the July committee. This will involve updating our policy and focusing on those risks that are strategic. Detailed actions can be found in the Annual Governance Statement action plan for 2019/20.

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.

The developments at Acle Bridge over the coming years will seek to further the Authority's National Park purposes and increase income opportunities.

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 2019 is £146,217.

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 £3,356k from Defra (£3,299k in 2017/18). In addition to this, the income received from external grant support, sales, fees, charges and interest totalled £1,064k (£726k in 2017/18). Total income for 2018/19 was £4,420k (£4,025k in 2017/18).

The Authority set a budget for 2018/19 with a forecast deficit of £71k (£42k deficit for 2017/18). 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 2018/19 indicated an anticipated surplus of £26k. The actual outturn saw a surplus of £12k (an adverse variance of £14k). The Authority has a policy for carry forward requests in respect of underspends. These have been subsequently approved by the Authority for £9k (£1k for 2017/18) and will be added to the 2019/20 budget.

Navigation Income and Expenditure

Income from tolls was £3,336k (£3,230k in 2017/18), other income received for the year from external grant support, yacht stations charges, sales of tide tables, works licences and other miscellaneous services was £263k, (£240k in 2017/18) and interest was £18k (£11k in 2017/18). Total income for 2018/19 was £3,617k (£3,481k in 2017/18).

The Authority set a budget with a forecast deficit of £3k for 2018/19 (surplus of £1k for 2017/18). The Authority monitors its budget throughout the year against a forecast outturn which is updated on a monthly basis. The final forecast outturn for 2018/19, which took account of approved budget changes, indicated an anticipated surplus of £44k. The actual outturn saw a surplus of £73k (a favourable variance of £29k). The Authority has a policy for carry forward requests in respect of underspends. These have been subsequently approved by the Authority for £6k (£1k for 2017/18) and will be added to the 2019/20 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 14 and the EFA on page 13.

Outlook

2019/20 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. Also the Authority is fortunate that it receives a large proportion of its toll income prior to the start of the financial year whilst the National Park Grant is received quarterly. The budget supports this with Navigation funding currently projecting a deficit of £23k in 2019/20 (after taking into account carry forward requests), with reserves at 11.4% of net expenditure at the end of the year. For General (National Park) funding there is a projected deficit of £36k (after taking into account carry forwards requests) in 2019/20, with reserves at 29.4% of net expenditure.

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 2020. The annual toll increase for 2019/20 was set at an overall 2.6%. When setting the future strategy the Authority will continue to consult with the Navigation Committee and other stakeholders.

2019/20 continues to focus on the development of partnership work. This incorporates projects at a number of sites; including Acle Bridge. This approach will help determine the funding available to develop Acle Bridge further. 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 2018/19 Accounts

There have been no key changes to the Statement of Accounts in 2018/19. Although the introduction of IFRS 9 Financial Instruments will have had an impact on other Authorities, the Authority continues to recognise its assets and liabilities at amortised cost. There are no expected credit losses recognised in 2018/19. Further details can be found in notes (x) and 35.

The Accounting Statements

The Broads Authority's accounts for the year 2018/19 are set out on pages 10 to 73. 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 37 on page 73.

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 2018/19 (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 2019 and its income and expenditure for the year ended 31 March 2019.

Emma Krelle (Chief Financial Officer)

Certificate of Committee Resolution

I confirm that these accounts were approved by The Broads Authority at its meeting held 22 November 2019.

Signed on behalf of The Broads Authority:

Mr Bill Dickson

(Chair of meeting approving the accounts)

22 November 2019

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

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

12

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.

2017/18				2018/19		
Net Expenditure Chargeable to the General and Navigation Fund Balances £000	Adjustments between the Funding and Accounting Basis * £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General and Navigation Fund Balances £000	Adjustments between the Funding and Accounting Basis * £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
957	133	1,090	Operations	1,079	12	1,091
1,574	145	1,719	Strategic Services	1,608	123	1,731
617	36	653	Chief Executive	592	30	622
37	0	37	Corporate Amounts	47	109	156
(153)	141	(12)	Broads Navigation Account	(222)	424	202
3,032	**455**	**3,487**	**Net Cost of services**	**3,104**	**698**	**3,802**
(3,283)	210	(3,073)	Other Income and Expenditure	(3,494)	215	(3,279)
(251)	**665**	**414**	**(Surplus) or Deficit**	**(390)**	**913**	**523**
(1,368)			Opening General and Navigation Fund Balance	(1,426)		
(251)			Less/Plus (Surplus) or Deficit on General and Navigation Balance in Year	(390)		
193			Transfer (to)/from Earmarked Reserves	326		
(1,426)			**Closing General and Navigation Fund Balance at 31 March**	**(1,490)**		

* Further 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.

13

Comprehensive Income and Expenditure Statement

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

2017/18					2018/19		
Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000		Note	Gross Expenditure £000	Income £000	Net Expenditure/ (Income) £000
1,263	(173)	1,090	Operations		1,317	(226)	1,091
2,233	(514)	1,719	Strategic Services		2,575	(845)	1,730
678	(25)	653	Chief Executive		644	(22)	622
37	0	37	Corporate Items		156	0	156
3,456	(3,468)	(12)	Broads Navigation Account	37	3,850	(3,647)	203
7,667	**(4,180)**	**3,487**	**Cost of services**		**8,542**	**(4,740)**	**3,802**
		3	(Gains)/Losses on the disposal of non-current assets				(6)
		223	Financing and investment income and expenditure	11			83
		(3,299)	DEFRA National Park grant income				(3,356)
		414	(Surplus) or deficit on provision of services				523
		(36)	(Surplus) or deficit on revaluation of fixed assets				(73)
		(1,000)	Actuarial (gains) / losses on pension assets / liabilities				2,253
		(1,036)	Other comprehensive income and expenditure				2,180
		(622)	**Total comprehensive income and expenditure**				**2,703**

14

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.

2017/18	General Fund and Navigation Fund Balance £000	Earmarked Reserves £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 (A)	1,368	1,392	2,760	(3,297)	(537)
Total comprehensive income and expenditure	(414)	0	(414)	1,036	622
Adjustments between accounting basis and funding basis under regulations (Note 9)	665	0	665	(665)	0
Transfers to or from Earmarked Reserves (Note 10)	(193)	193	0	0	0
Increase or (decrease) in 2018/19 (B)	58	193	251	371	622
Balance at 31 March 2018 (=A+B)	**1,426**	**1,585**	**3,011**	**(2,926)**	**85**

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 (A)	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 funding 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)	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)**

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 Mar 18 £000		Note	As at 31 Mar 19 £000
4,754	Property, Plant & Equipment	12	4,709
275	Investment Property Held for Sale	13	0
37	Intangible Assets	14	28
5,066	Long term assets		4,737
2,505	Short term investments		3,508
91	Inventories	15	88
699	Short term debtors	16	808
1,694	Cash and cash equivalents	17	1,198
4,989	Current assets		5,602
(15)	Short term borrowing		(15)
(1,903)	Short term creditors	18	(1,747)
(66)	Provisions	19	(47)
(1,984)	Current liabilities		(1,809)
(123)	Long term borrowing		(109)
(7,863)	Other long term liabilities	31, 33	(11,040)
(7,986)	Long term liabilities		(11,149)
85	**Net assets/(liabilities)**		**(2,619)**
	Useable reserves		
1,058	General Account fund balance		1,064
368	Navigation Account fund balance		426
0	Capital Receipts Reserve		405
1,585	Earmarked Reserves	10	1,911
	Unusable reserves	21	
1,774	Revaluation Reserve		1,950
2,921	Capital Adjustment Account		2,484
(7,571)	Pension Reserve		(10,812)
(50)	Accumulated Absence Reserve		(47)
85	**Total reserves**		**(2,619)**

Emma Krelle (Chief Financial Officer)

22 November 2019

17

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.

2017/18 £000	Revenue Activities	Note	2018/19 £000
(414)	Net surplus or (deficit) on the provision of services		(523)
1,102	Adjustments to net surplus or deficit on the provision of services for non-cash movements		1,395
(5)	Adjust for items in the net surplus or deficit on the provision of services that are Investing and Financing Activities		(11)
683	Net cash flows from Operating Activities	22	861
(904)	Investing Activities	23	(1,287)
(66)	Financing Activities	24	(70)
(287)	Net increase or (decrease) in cash and cash equivalents		(496)
1,981	Cash and cash equivalents at the beginning of the reporting period		1,694
1,694	**Cash and cash equivalents at the end of the reporting period**	17	**1,198**

Notes to the Statement of Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year end of 31 March 2018. 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 2018/19 and the Service Reporting Code of Practice 2018/19, 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. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the general reserve balances. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general reserve balances. The gains and losses are therefore reversed out of the general reserve 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.

xv. 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.

xvi. 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.

xvii. 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.

xviii. 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 34) 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.

xix. 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.

xx. 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 2018/19, however in note 37 to the accounts the navigation income and expenditure is shown.

xxi. 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.

xxii. 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.

xxiii. 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 2018/19 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 2019:

- 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.
- The following amendments to the accounting standards are either not relevant or have minor changes which are not expected to have a material effect on the Authority's Statement of Accounts. These include: IAS 40 Investment Property; Transfers of Investment Property, Annual improvements to IFRS Standards 2014-2016 Cycle, IFRIC 22 Foreign Currency Transactions and Advance Consideration, IFRIC 23 Uncertainty over Income Tax Treatments and amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

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 remaining one year of the original four year settlement from DEFRA 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 does 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 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.	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 by £63,000 for every year that useful lives had to be reduced.
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 £4,089,000. Further details are set out in the sensitivity analysis in note 33.

5. Material Items of Income and Expense

There are no material items of expense in relation to 2018/19 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 22 November 2019. Events that occur after this date are not reflected in the financial statements or notes.

Subsequent to the approval of the draft accounts, the Authority received further information regarding the Defined Benefit Pension Scheme disclosed in note 33 on page 60 and the Contingent Liabilities disclosed in note 34 on page 68.

Defined Benefit Pension Scheme
Following on from the Guaranteed Minimum Pension Indexation and the McCloud Judgement the narrative and the revised liabilities have been updated.

Employment Tribunal Claim
A settlement was reached on this case on 26 June 2019 with a COT3 agreement in place requiring the claimant to withdraw their claims.

7. Note to the Expenditure and Funding Analysis

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

2017/18					2018/19			
Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000		Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
25	108	0	133	Operations	(96)	110	(2)	12
(31)	179	(3)	145	Strategic Services	(61)	181	3	123
0	34	2	36	Chief Executive	0	32	(2)	30
0	0	0	0	Corporate Items	0	109	0	109
(119)	260	0	141	Broads Navigation Account	85	341	(2)	424
(125)	581	(1)	455	**Net Cost of Services**	(72)	773	(3)	698
0	210	0	210	Other income and expenditure from the Expenditure and Funding Analysis	0	215	0	215
(125)	**791**	**(1)**	**665**	**Difference between General and Navigation Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**(72)**	**988**	**(3)**	**913**

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 statue including accumulated absences.

Income received on a segmental basis is analysed below:

Service	2017/18 Income from Services £000	2018/19 Income from Services £000
Operations	(173)	(226)
Strategic Services	(514)	(845)
Chief Executive	(25)	(22)
Corporate Items	0	0
Specialist Ringfenced Account (Navigation)	(3,468)	(3,647)
Total income analysed on a segmental basis	**(4,180)**	**(4,740)**

33

8a. Expenditure and Income Analysed by Nature

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

Expenditure/Income *	2017/18 £000	2018/19 £000
Expenditure		
Employee benefits expenses	5,025	5,454
Other services expenses	2,935	3,412
Depreciation, amortisation, impairment	329	395
Interest payments	38	35
Expenditure in relation to investment properties	(2)	(130)
Loss/(gain) on the disposal of assets	3	(6)
Total expenditure	**8,328**	**9,160**
Income		
Fees, charges and other service income	(4,184)	(4,751)
Interest and investment income	(23)	(37)
Contributions from reserves	(408)	(493)
Government grants and contributions	(3,299)	(3,356)
Total income	**(7,914)**	**(8,637)**
Surplus or Deficit on the Provision of Services	**414**	**523**

***** 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:

2017/18 £000		2018/19 £000
262	Revenue from contracts with service recipients	270
262	**Total Included in Comprehensive Income and Expenditure**	**270**

Amounts included in the Balance Sheet for contracts with service recipients

2017/18 £000		2018/19 £000
32	Receivables, which are included in debtors (Note 16)	25
32	**Total Included in Net Assets**	**25**

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.

General Fund & Navigation Fund 2017/18 £000	Capital Receipts Reserve 2017/18 £000	Movement in Unusable Reserves 2017/18 £000		General Fund & Navigation Fund 2018/19 £000	Capital Receipts Reserve 2018/19 £000	Movement in Unusable Reserves 2018/19 £000
			Adjustments primarily involving the Capital Adjustment Account:			
			Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:			
0	0	0	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(130)	130	0
312	0	(312)	Charges for depreciation and impairment of non-current assets	372	0	(372)
7	0	(7)	Revaluation losses on property, plant and equipment	14	0	(14)
6	0	(6)	Amortisation of intangible assets	9	0	(9)
8	0	(8)	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	5	0	(5)
			Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
(67)	0	67	Statutory provision for the financing of capital investment	(70)	0	70
(392)	0	392	Capital expenditure charged against the General Fund	(273)	0	273

General Fund & Navigation Fund 2016/17 £000	Capital Receipts Reserve 2017/18 £000	Movement in Unusable Reserves 2016/17 £000		General Fund & Navigation Fund 2018/19 £000	Capital Receipts Reserve 2018/19 £000	Movement in Unusable Reserves 2018/19 £000
			Adjustments involving the Capital Receipts Reserve:			
0	0	0	Cash receipts from disposal of investment property	0	275	(275)
			Adjustments involving the Pensions Reserve:			
1,475	0	(1,475)	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 33)	1,699	0	(1,699)
(684)	0	684	Employer's pension contributions and direct payments to pensioners payable in the year	(711)	0	711
			Adjustments involving the accumulated Absences Account:			
0	0	0	Adjustments in relation to short-term compensated absences	(2)	0	2
			Adjustments involving the Capital Grant Unapplied Account:			
0	0	0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0
665	**0**	**(665)**	**Total Adjustments**	**913**	**405**	**(1,318)**

37

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 2018/19. A description of each of the earmarked reserves follows in the table below.

	Balance at 31 March 2017 £000	Transfers in 2017/18 £000	Transfers out 2017/18 £000	Balance at 31 March 2018 £000	Transfers in 2018/19 £000	Transfers out 2018/19 £000	Balance at 31 March 2019 £000
Property	(429)	(76)	26	(479)	(95)	4	(570)
Plant, Vessels and Equipment	(214)	(170)	182	(202)	(176)	103	(275)
Premises	(179)	(31)	61	(149)	(83)	36	(196)
Planning Delivery Grant	(195)	(43)	11	(227)	(42)	0	(269)
Upper Thurne Enhancement Scheme	(78)	(24)	2	(100)	(23)	3	(120)
Section 106 Agreements	(109)	(1)	8	(102)	(1)	0	(103)
Heritage Lottery Fund	(93)	(205)	184	(114)	(523)	547	(90)
Catchment Partnership	(95)	(32)	27	(100)	(24)	34	(90)
CANAPE	0	(112)	40	(72)	(264)	149	(187)
Computer Software	0	(40)	0	(40)	0	29	(11)
Total	**(1,392)**	**(734)**	**541**	**(1,585)**	**(1,231)**	**905**	**(1,911)**

Included in the closing balance of £1,911k, £787k 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.

11. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
38	Interest payable and similar charges	35
210	Net interest on the net defined benefit liability (asset)	215
(23)	Interest receivable and similar income	(37)
(2)	Income and expenditure in relation to investment properties and changes in their fair value including disposal	(130)
223	**Total**	**83**

12. Property, Plant and Equipment

Movements on balances 2017/18

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 2017	2,732	2,942	302	323	30	6,329
additions	180	404	0	0	22	606
revaluation increases / (decreases) recognised in the Revaluation Reserve	(50)	4	0	0	0	(46)
revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(7)	0	0	0	0	(7)
derecognition – disposals	0	(31)	0	0	0	(31)
asset reclassification (to)/from Assets Under Construction	30	0	0	0	(30)	0
At 31 March 2018	**2,885**	**3,319**	**302**	**323**	**22**	**6,851**

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 2017	13	1,669	208	0	0	1,890
depreciation charge	23	274	15	0	0	312
derecognition – disposals	(13)	(69)	0	0	0	(82)
depreciation written out to the Revaluation Reserve	0	(23)	0	0	0	(23)
At 31 March 2018	**23**	**1,851**	**223**	**0**	**0**	**2,097**

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 £000
At 31 March 2018	**2,862**	**1,468**	**79**	**323**	**22**	**4,754**
At 31 March 2017	2,719	1,273	94	323	30	4,439

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 / (decreases) recognised in the Revaluation Reserve	12	(53)	0	0	0	(41)
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 £000
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

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 Concertus Design and Property Consultants, 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.

	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	64	323	0	387
Valued at current value as at:						
31 March 2019	1,385	363	0	0	60	1,808
31 March 2018	319	477	0	0	0	796
31 March 2017	882	280	0	0	0	1,162
31 March 2016	255	174	0	0	0	429
31 March 2015	0	127	0	0	0	127
Total cost or valuation	**2,841**	**1,421**	**64**	**323**	**60**	**4,709**

13. Investment Properties

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

2017/18 £000		2018/19 £000
21	Rental income from investment property	0
(19)	Direct operating expenses arising from investment property	0
0	Disposals	130
2	**Net gain / (loss)**	**130**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

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

2017/18 £000		2018/19 £000
275	Balance at start of the year	275
0	Disposals	(275)
275	**Balance at end of the year**	**0**

Fair Value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2018 and 2019 are as follows:

	Significant observable inputs (Level 2) £000s	Fair Value 31 March 2018 £000s	Significant observable inputs (Level 2) £000s	Fair Value 31 March 2019 £000s
Fieldbase (Sold August 2018)	275	275	0	0
	275	**275**	**0**	**0**

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

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that information for similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the fair value hierarchy.

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

Highest and best use of Investment Properties

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

Valuation Process for Investment Properties

The investment property was previously valued by Concertus Design and Property Consultants in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

14. 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:

	Internally Generated Assets	Other Assets	2017/18 Total	Internally Generated Assets	Other Assets	2018/19 Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
Gross carrying amounts	43	0	43	46	0	46
Accumulated amortisation	0	0	0	(9)	0	(9)
Net carrying amount at start of year	0	0	0	0	0	0
Additions:						
Internal development	3	0	3	0	0	0
Purchases	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	**37**	**0**	**37**	**28**	**0**	**28**
Comprising:						
Gross carrying amounts	46	0	46	46	0	46
Accumulated amortisation	(9)	0	(9)	(18)	0	(18)
	37	**0**	**37**	**28**	**0**	**28**

15. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance outstanding at start of year	31	37	57	54	88	91
Purchases	43	35	87	60	130	95
Recognised as an expense in year	(37)	(36)	(90)	(62)	(127)	(98)
Written off balances	0	0	0	0	0	0
Balance outstanding at year-end	**37**	**36**	**54**	**52**	**91**	**88**

16. Debtors

31 March 2018 £000		31 March 2019 £000
127	Trade receivables	79
417	Prepayments and accrued income	592
155	Other receivable amounts	137
699	**Total**	**808**

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2018 £000		31 March 2019 £000
2	Cash held by the Broads Authority	2
1,692	Bank current accounts	1,196
1,694	**Total Cash and Cash Equivalents**	**1,198**

18. Creditors

31 March 2018 £000		31 March 2019 £000
398	Trade payables	313
1,299	Accruals and income in advance	1,211
206	Other payable amounts	223
1,903	**Total**	**1,747**

19. Provisions

2017/18					2018/19		
Accumulate Absences Provision £000	Redundancy Provision £000	HMRC Provision £000	Total £000		Accumulated Absences Provision £000	HMRC Provision £000	Total £000
50	13	0	63	Balance at 1 April	50	16	66
50	0	16	66	Additional provisions made in year	47	0	47
(50)	(13)	0	(63)	Settlements or cancellation of provision made at end of preceding year	(50)	(16)	(66)
50	**0**	**16**	**66**	**Balance at 31 March**	**47**	**0**	**47**

The redundancy provision settled in 2017/18 was for the costs of organisational restructuring. The provision relates to a redundancy payment for a post which left the Authority in April 2017. The post effected was notified in January 2017 and the payment was made during 2017/18. No further redundancy provisions were made in 2018/19.

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.

For more information on the Accumulated Absence Account, see note 21.

20. Usable reserves

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

21. Unusable reserves

31 March 2018 £000		31 March 2019 £000
1,774	Revaluation reserve	1,950
2,921	Capital Adjustment Account	2,484
(7,571)	Pensions Reserve	(10,812)
(50)	Accumulated Absences Account	(47)
(2,926)	**Total unusable reserves**	**(6,425)**

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.

2017/18 £000			2018/19 £000
1,641	Balance at 1 April		1,774
258	Upward revaluation of assets	75	
(222)	Downward revaluation of assets	(3)	
1,677	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services		72
97	Difference between current value depreciation and historical cost depreciation	105	
0	Asset disposed of 2017/18, balance still on reserve	(1)	
97	Amount written off to the Capital Adjustment Account		104
1,774	**Balance at 31 March**		**1,950**

<u>Capital Adjustment Account</u>

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.

2017/18 £000			2018/19 £000
2,892	Balance at 1 April		2,921
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
0	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	130	
(312)	Charges for depreciation and impairment of non current assets	(372)	
(7)	Revaluation losses on Property Plant & Equipment	(14)	
0	Movements in the market value of investment properties	(130)	
(9)	Amortisation of intangible assets	(9)	
(8)	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	(280)	
(336)		(675)	
(97)	Adjusting amounts written out of the revaluation reserve	(105)	
(433)	Net written out amount of the cost of non-current assets consumed in the year		(780)
	Capital financing applied in the year:		
67	Statutory provision for the financing of capital investment charged against the General Fund	70	
	Removal of Finance Lease Liability for assets returned in year		
395	Capital expenditure charged against the General Fund	273	
462			343
2,921	**Balance at 31 March**		**2,484**

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.

2017/18 £000		2018/19 £000
(7,780)	Balance at 1 April	(7,571)
1,000	Remeasurements of the net defined benefit liability / (asset)	(2,253)
(1,475)	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	(1,699)
684	Employer's pension contributions and direct payments to pensioners payable in the year	711
(7,571)	**Balance at 31 March**	**(10,812)**

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.

2017/18 £000		2018/19 £000
(50)	Balance at 1 April	(50)
50	Settlement or cancellation of accrual made at the end of the preceding year	50
(50)	Amounts accrued at the end of the current year	(47)
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
(50)	**Balance at 31 March**	**(47)**

22. Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2017/18 £000		2018/19 £000
(20)	Interest received	(34)
38	Interest paid	35
18	**Net cash flows from operating activities**	**1**

23. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
(395)	Purchase of property, plant and equipment, investment property and intangible assets	(273)
(500)	Purchase of short term investments	(1,000)
(4)	Other payments from investing activities	(3)
(5)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11)
(904)	**Net cash flows from investing activities**	**(1,287)**

24. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £000
(52)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(55)
(14)	Repayments of short and long term borrowing	(15)
(66)	**Net cash flows from financing activities**	**(70)**

25. Members' Allowances

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

2017/18 £000		2018/19 £000
36	Allowances	37
7	Expenses	6
43	**Total**	**43**

26. Officers' Remuneration

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

		Salary, Fees and Allowances £000	Bonuses £000	Expenses Allowances £000	Pension Contribution £000	**Total £000**
Chief Executive	2017/18	85	0	0	16	**101**
	2018/19	87	0	0	16	**103**
Director of Planning & Resources[1] / Director of Strategic Services	2017/18	51	0	0	9	**60**
	2018/19	58	0	0	11	**69**
Director of Operations	2017/18	54	0	0	10	**64**
	2018/19	57	0	0	10	**67**

The Director of Planning & Resources[1] resigned with effect from 6 August 2017. This role was replaced by the Director of Strategic Services whose employment commenced 18 September 2017.

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

2017/18 Number of Employees		2018/19 Number of Employees
1	£50,000 - £54,999	0
0	£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
1	£80,000 - £84,999	0
0	£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		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The total cost in the table above for exit packages have been charged to the authority's Comprehensive Income and Expenditure Statement in the previous year.

27. 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:

2017/18 £000		2018/19 £000
13	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	11
13	**Total**	**11**

28. Grant Income

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

2017/18 £000		2018/19 £000
	Credited to taxation and non-specific grant income:	
3,299	Defra National Park Grant	3,356
	Credited to services:	
144	Heritage Lottery Fund – Landscape Partnership Scheme	459
21	CANAPE – ERDF	202
3,464	**Total**	**4,017**

29. 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 25.

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 Alan Goodchild is a member of the Navigation Committee and is a Director of 'Goodchild Marine' which was contracted by the Authority to complete launch refits along with supplying diesel fuel and mooring facilities. The Authority paid £2,251 for refits and £5,547 for fuel and moorings during 2018/19 (£8,131 for refits and £5,649 for fuel and moorings in 2017/18). No amounts were outstanding at 31 March 2019. Goodchild Marine paid £599 in navigation tolls to the Broads Authority in 2018/19 (£582 in 2017/18). Mr Goodchild took no part in the decision-making process associated with these contracts.

Mr James Knight was a member of the Navigation Committee and is a Director of 'Waveney River Centre (2003) Ltd' and 'Ferry Marina Ltd'. Waveney River Centre (2003) Ltd paid £8,019 (£7,570 2017/18) and Ferry Marina Ltd paid £56,573 (£48,393 2017/18) navigation tolls to the Broads Authority in 2018/19. The Authority also made fuel purchases of £1,036 (£880 in 2017/18) and used mooring facilities of £2,400 during 2018/19 which were prepaid in advance during 2017/18. £53 was outstanding at 31 March 2019. Mr Knight took no part in the decision-making process associated with these contracts.

Mr Greg Munford is a member of the Broads Authority and Navigation Committee and is Chief Executive of 'Richardson's Leisure Ltd'. Richardson's Leisure paid £382,281 (£375,116 2017/18) navigation tolls to the Broads Authority in 2018/19. No amounts were outstanding at 31 March 2019. Mr Munford took no part in the decision-making process associated with these contracts.

Mr Simon Sparrow is a member of the Navigation Committee and is Director of Hippersons Boatyard Ltd. Hippersons Boatyard paid £3,826 navigation tolls to the Broads Authority in 2018/19. No amounts were outstanding at 31 March 2019.

Mr Michael Whitaker was a member of the Navigation Committee and was a partner of 'Herbert Woods LLP' until November 2018. Herbert Woods LLP paid £172,457 navigation tolls to the Broads Authority in 2018/19 (£170,538 in 2017/18). The Authority also made fuel purchases of £561 during the year (£1,775 in 2017/18) and paid £264 for lifting (Nil 2017/18). No amounts were outstanding at 31 March 2019. Mr Whitaker took no part in the decision-making process associated with these contracts.

Mr Brian Wilkins is a member of the Navigation Committee and is a contractor via 'Windwood Solutions Ltd' to 'Canham Consulting Ltd', which was contracted for engineering design services. The Authority paid £1,470 during 2018/19 (£8,256 in 2017/18). No amounts were outstanding at 31 March 2019. Mr Wilkins 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 26.

Whitlingham Charitable Trust
During the year the Authority provided administration services for Whitlingham Charitable Trust of £45,555 (£52,664 in 2017/18). The balance outstanding at 31 March 2019 was £15,384 (£21,892 at 31 March 2018).

The Broads Authority also provides a recharge service for purchase invoices and salaries of £82,513 (£64,731 in 2017/18). Up until the end of July 2018 the recharge was net of income collected on behalf of the Trust. From August 2018 Whitlingham Charitable Trust invoiced the Authority for this. The balance outstanding at 31 March 2019 was £10,115 (£9,670 at 31 March 2018).

The Whitlingham Charitable Trust also invoiced the Authority £18,789 (£15,264 in 2017/18) for rental income for the lease of the visitor centre and moorings, £290 for the hire of a flail and tractor and £3,991 (Nil 2017/18) for income collected on behalf of the Trust. The balance outstanding at 31 March 2019 was £2,159 (£864 in 2017/18).

Other Public Bodies
The Authority recharged Broadland District Council for staff time of £12,009 during 2018/19 (£13,542 in 2017/18). The balance outstanding at 31 March 2019 was £1,565 (£1,985 at 31 March 2018).

Norfolk County Council provides legal services to the Broads Authority via its legal practice, NPLaw. The Authority paid £57,249 for legal services in 2018/19 (£71,734 in 2017/18). No amounts were outstanding at 31 March 2019.

Norfolk County Council also provides payroll services to the Broads Authority. The Authority paid £6,952 for this in 2018/19 (£4,685 in 2017/18). No amounts were outstanding at 31 March 2019.

30. 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.

2017/18 £000		2018/19 £000
217	Opening Capital Finance Requirement	364
	Capital Investment	
606	Property, Plant and Equipment	273
	Sources of Finance	
	Sums set aside from revenue:	
(392)	Direct revenue contributions	(273)
(67)	MRP	(70)
364	**Closing Capital Finance Requirement**	**294**
	Explanation of movements in year	
(67)	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance)	(70)
214	Assets acquired under finance leases	0
147	**Increase / (decrease) in Capital Financing Requirement**	**(70)**

31. 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:

2017/18 £000		2018/19 £000
0	Other Land and Buildings	0
254	Vehicles, Plant, Furniture and Equipment	190
254	**Total**	**190**

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:

2017/18 £000		2018/19 £000
	Finance lease liabilities (net present value of minimum lease payments):	
54	• Current	50
181	• Non-current	181
12	Finance costs payable in future years	7
247	**Minimum lease payments**	**238**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Not later than one year	60	53	54	50
Later than one year and not later than 5 years	187	134	181	181
Later than 5 years	0	0	0	0
	247	**187**	**235**	**231**

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 2018/19, no (£nil) contingent rents were payable by the Authority (2017/18 £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 non-cancellable leases in future years are:

2017/18 £000		2018/19 £000
144	Not later than one year	138
446	Later than one year and not later than 5 years	380
49	Later than 5 years	194
639	**Total**	**712**

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

2017/18 £000		2018/19 £000
169	Minimum lease payments	170
169	**Total**	**170**

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:

2017/18 £000		2018/19 £000
25	Not later than one year	0
0	Later than one year and not later than 5 years	0
0	Later than 5 years	0
25	**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.

32. Termination Benefits

The Authority terminated the contract of one employee who was made redundant at the beginning of 2017/18 as part of the Broads Authority's organisational restructuring. In terminating these contracts the Authority incurred liabilities of £13,203, of which £nil related to enhanced pension benefits. This liability was recognised within the Provision Account in 2016/17. No additional liabilities relating to termination benefits were incurred during 2018/19 and no provision for any future redundancy payments was established in the year.

33. 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 or 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 estimate as it applies to the Broads Authority is that total liabilities could increase by approximately £116,000 as at 31 March 2019.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

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 Fund's actuary has adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Broads Authority is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £79,000.

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

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

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:

2017/18 £000		2018/19 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
1,265	• current service cost	1,289
-	• past service cost	195
	Financing and investment income and expenditure	
210	• net interest expense	215
1,475	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**1,699**
	Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:	
(329)	• return on plan assets (excluding the amount included in the net interest expense)	(710)
-	• actuarial gains and losses arising on changes in demographic assumptions	-
(667)	• actuarial gains and losses arising on changes in financial assumptions	2,945
(4)	• other experience	18
(1,000)	**Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**(2,253)**

	Movement in Reserves Statement	
1,475	• reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	1,699
	Actual amount charged against the General Fund balance for pensions in the year:	
(684)	• employers' contributions payable to scheme	(711)

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:

2017/18 £000		2018/19 £000
(32,782)	Present value of the defined benefit obligation	(37,640)
25,211	Fair value of plan assets	26,828
(7,571)	**Net liability arising from defined benefit obligation**	**(10,812)**

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

2017/18 £000		2018/19 £000
24,108	Opening fair value of scheme assets	25,211
628	Interest income	683
	Remeasurement gain / (loss):	
329	• The return on plan assets, excluding the amount included in the net interest expense	710
684	Contributions from employer	711
208	Contributions from employees into the scheme	216
(746)	Benefits paid	(703)
25,211	**Closing fair value of scheme assets**	**26,828**

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

2017/18 £000		2018/19 £000
31,888	Balance at 1 April	32,782
1,265	Current service cost	1,289
838	Interest cost	898
208	Contributions from scheme participants	216
	Remeasurement (gains) and losses:	
-	• Actuarial gains / losses from changes in demographic assumptions	-
(667)	• Actuarial gains / losses arising from changes in financial assumptions	2,945
(4)	• Other	18
-	• Past Service Cost	195
(746)	Benefits paid	(703)
32,782	**Balance at 31 March**	**37,640**

Local Government Pension Scheme Assets

Local Government Pension Scheme assets comprised:

Fair value of scheme assets 2017/18 £000				Fair value of scheme assets 2018/19 £000		
Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total
			Cash and cash equivalents:			
-	939.4	939.4	• All cash and cash equivalents	-	669.8	669.8
			Equity instruments:			
1,657.6	-	1,657.6	• Consumer	1,663.0	-	1,663.0
1,413.7	-	1,413.7	• Manufacturing	1,373.9	-	1,373.9
449.9	-	449.9	• Energy and utilities	600.6	-	600.6
1,406.4	-	1,406.4	• Financial institutions	1,454.6	-	1,454.6
462.0	-	462.0	• Health and care	645.6	-	645.6
790.6	-	790.6	• Information technology	1,312.8	-	1,312.8
-	-	-	• Other	0.9	-	0.9
			Bonds (Debt securities):			
-	-	-	• Corporate bonds (investment grade)	-	-	-
-	-	-	• Corporate bonds (non-investment grade)	-	-	-
379.5	-	379.5	• UK Government	307.4	-	307.4
			Private equity:			
-	1,392.8	1,392.8	• All private equity	-	1,656.3	1,656.3
			Property:			
-	2,211.6	2,211.6	• UK property	-	2,655.6	2,655.6
-	362.6	362.6	• Overseas property	-	512.6	512.6
			Other investment funds and unit trusts:			
6,749.6	-	6,749.6	• Equities	4,616.3	-	4,616.3
6,975.9	-	6,975.9	• Bonds	9,289.4	-	9,289.4
			Derivatives:			
(19.1)	-	(19.1)	• Other derivatives	76.6	-	76.6
38.5	-	38.5	• Foreign exchange	(7.4)	-	(7.4)
20,304.6	**4,906.4**	**25,211.0**		**21,333.7**	**5,494.3**	**26,828.0**

65

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 2016.

The principal assumptions used by the actuary have been:

31 March 2018		31 March 2019
	Long term expected rate of return on assets in the scheme:	
2.7%	• Equity investments*	2.4%
2.7%	• Bonds*	2.4%
2.7%	• Property*	2.4%
2.7%	• Cash*	2.4%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1 years	• Men	22.1 years
24.4 years	• Women	24.4 years
	Longevity at 65 for future pensioners:	
24.1 years	• Men	24.1 years
26.4 years	• Women	26.4 years
2.4%	Rate of inflation	2.5%
2.7%	Rate of increase in salaries	2.8%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%
	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 2019	Approximate % increase to employer liability	Approximate monetary amount £000
0.5% decrease in real discount rate	11%	4,089
1 year increase in member life expectancy	3-5%	Dependent on revised assumption
0.5% increase in the salary increase rate	1%	463
0.5% increase in the pension increase rate	9%	3,567

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 (36%). 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 £711,000 to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is as follows:

	Liability split	Weighted average duration
Active members	52.7%	21.7
Deferred members	24.9%	23.4
Pensioner members	22.4%	12.0
Total	**100.0%**	**19.0**

34. 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.

Employment Tribunal Claim
A former employee has submitted a claim to the Employment Tribunal for constructive dismissal, disability discrimination and whistleblowing. The Authority was required to submit a response by 7 March 2019 and a preliminary hearing has been scheduled for 18 June 2019. Currently the costs of such action cannot be determined.

35. Financial Instruments

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

Financial Assets

	Non-Current				Current					
	Investments		Debtors		Investments		Debtors		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Amortised cost	0	0	0	0	4,197	4,704	452	559	4,649	5,263
Total financial assets	**0**	**0**	**0**	**0**	**4,197**	**4,704**	**452**	**559**	**4,649**	**5,263**
Non-financial assets	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**4,197**	**4,704**	**452**	**559**	**4,649**	**5,263**

Financial Liabilities

	Non-Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Amortised cost	304	239	0	0	69	64	1,849	1,697	2,222	2,000
Total financial liabilities	**304**	**239**	**0**	**0**	**69**	**64**	**1,849**	**1,697**	**2,222**	**2,000**
Non-financial liabilities	0	0	0	0	0	0	0	0	0	0
Total	**304**	**239**	**0**	**0**	**69**	**64**	**1,849**	**1,697**	**2,222**	**2,000**

Income, Expense Gains and Losses

	2017/18			2018/19		
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000
Interest Expense	38	0	38	35	0	35
Interest Income	(23)	0	(23)	(37)	0	(37)

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:

	31 March 2018		31 March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at amortised cost:				
PWLB	138	164	123	146
Finance Leases	235	235	180	180
Short Term Creditors	1,849	1,849	1,697	1,697
Total	2,222	2,248	2,000	2,023

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 2019) 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.

	31 March 2018		31 March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial assets held at amortised cost:				
Fixed Term Investments	2,505	2,505	3,508	3,508
Cash at bank	1,692	1,692	1,196	1,196
Short Term Debtors	452	452	559	559
Total	4,649	4,649	5,263	5,263

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

36. 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 2019 for which a bad debt provision had not been put in place.

Liquidity Risk

The remaining one year of the original four year agreement from DEFRA means the Broads Authority has some certainty over the next few years. Longer term uncertainty still remains and future changes in government brings further uncertainty whether future three-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 2018/19 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.

37. Navigation Income and Expenditure Account

2017/18				2018/19		
Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Income £000	Net Expenditure / (Income) £000
2,160	(138)	2,022	Operations	2,445	(214)	2,231
811	(73)	738	Strategic Services	821	(71)	750
460	(10)	450	Chief Executive	466	(8)	458
25	0	25	Corporate Items	117	0	117
0	(3,247)	(3,247)	Navigation Income (Tolls)	0	(3,354)	(3,354)
3,456	**(3,468)**	**(12)**	**Net cost of services**	**3,849**	**(3,647)**	**202**
		(1)	Other operating expenditure			(4)
		109	Financing and investment income and expenditure			51
		96	**(Surplus) or deficit on the provision of services**			249
		60	(Surplus) or deficit on revaluation of fixed assets			(64)
		(447)	Actuarial (gains) / losses on pension assets / liabilities			994
		(291)	**Total comprehensive income and expenditure**			**1,179**

73

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

19 November 2019

Agenda item number 9

Annual Audit Results 2018/19

Report by Chief Financial Officer

Summary

This report appends the draft Annual Audit Results for 2018/19 prepared by the External Auditors, Ernst & Young.

Recommendation

i. To note the Annual Audit Results 2018/19.

ii. That the Letter of Representation in connection with the Audit of the Financial Statements for 2018/19 be signed by the Chief Financial Officer and the Chairman of the ARC.

1. Annual Audit Results 2018/19

1.1. The External Audit of the Broads Authority's 2018/19 Statement of Accounts was undertaken during October and November 2019 and the draft Audit Results by Ernst & Young for 2018/19 is appended.

1.2. The External Auditors will be attending the meeting to present this item and answer any questions.

1.3. Appendix 2 to this report is the draft Letter of Representation in connection with the Audit of the Financial Statements for 2018/19, which is presented for consideration and approval by the Committee in order for it to be signed and sent to the External Auditors.

Author: Emma Krelle

Date of report: 6 November 2019

Background papers: Statement of Accounts 2018/19

Appendix 1 – Draft Annual Audit Results 2018/19

Appendix 2 – Draft Letter of Representation 2018/19

Broads Authority
Audit Results Report

Year ended 31 March 2019

7 November 2019

Building a better working world

The Members
Audit and Risk Committee
Broads Authority
Yare House
62-64 Thorpe Road
Norwich NR1 1RY

7 November 2019

Dear Committee Members

We are pleased to attach our Audit Results report for the forthcoming meeting of the Audit and Risk Committee. This report summarises our preliminary audit conclusion in relation to the audit of Broads Authority for 2018/19. We will issue our final report after Audit and Risk Committee meeting scheduled for 19 November 2019.

We have substantially completed our audit of the Broads Authority for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit and Risk Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Committee meeting 19 November 2019.

Yours faithfully

MARK HODGSON

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented at the 5 March 2019 Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan, with the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £171,900 (Audit Planning Report – £128,900). This results in updated performance materiality, at 75% of overall materiality, of £128,900, and an updated threshold for reporting misstatements of £8,500.

Status of the audit

We have substantially completed our audit of the Broads Authority financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3.

However until work is complete, further amendments may arise. The outstanding work at the date of this report is:

- Related Party Transactions testing;
- Payroll testing;
- Expenditure testing;
- Journal testing;
- review of the final version of the financial statements;
- completion of subsequent events review;
- receipt of the signed management representation letter; and
- final Manager and Engagement Partner reviews.

We expect to issue the audit certificate at the same time as the audit opinion.

There was an ongoing national issue has resulted in a relatively late change to the pension fund accounts and IAS19 fund liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft financial statements did not recognise this matter but the officers were aware of the issue. Since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included within the financial statements. In addition, there has been some movement on the Guaranteed Minimum Pension ruling, which has also had an impact on the pension liability. In summary, the changes have increased the past service costs and in turn the pensions liability figure for the Broads Authority by £198,000. Further details are provided in Section 4.

Executive Summary

Audit differences

Adjusted audit differences

There are four adjusted audit differences, which have been identified and corrected by management during the course of audit:

- Two of the audit differences are related to the Pension valuation, including the impact of the McCloud and GMP ruling;
- One audit difference is related to a misstatement in Income due to European Region Development Fund grant income not being accrued for at year-end;
- One disclosure error in relation to Financial Instruments in Note 35 where Financial Assets have been understated by £1.539 million due to 'Cash and Cash Equivalents' of £1.196 million and Short-Term Debtors of £0.343 million being incorrectly excluded from the balance. Prior year balances have also been amended.

Further details are provided in Section 4.

Unadjusted audit differences

At the date of drafting this report there are no unadjusted audit differences arising from our audit.

The Actuary, within its IAS19 report estimated the Pension Fund asset value as at the 31 March 2019 and the Authority used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Norfolk Pension Fund auditor. These procedures, identified that the actual asset valuation at the 31 March 2019 was £9.6 million less than the Actuary's estimate. The Authority's share of this difference is £67,000.

We request that the uncorrected misstatement be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Risk Committee and provided within the Letter of Representation.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Broads Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Risk Committee.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.
In our Audit Plan we did not identify any significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority.
We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

02 Areas of Audit Focus

Significant risk

Misstatement due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Linking to our risk of fraud we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment (see next page).

What did we do and What judgements are we focused on?

We performed our mandatory procedures:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for significant unusual transactions.

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

Significant Risk

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Significant risk

Misstatement due to fraud or error – the incorrect capitalisation of revenue spend

What is the risk?

Linking to our risk of misstatements due to fraud and error above, we have identified the incorrect capitalisation of revenue spend as a separate risk which could result in a misstatement of cost of services reported in the Comprehensive Income and Expenditure Statement. As the Authority is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Authority's capital programme.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- Reviewed the appropriateness of revenue and expenditure recognition accounting policies and tested that they have been applied correctly during our detailed testing;
- Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What are our conclusions?

We have not identified any instances of inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment.

Other Areas of Audit Focus

Valuation of land and buildings – inherent risk

What is the risk?

The fair value of property, plant and equipment (PPE) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- Considered the work performed by the Authority's valuers (Concertus), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Undertook the sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Following full consideration of their work, we have placed reliance on the Council's valuation expert.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any significant issues in the assumptions used by the Authority in estimating the value of property, plant and equipment.

Areas of Audit Focus

Pension Liability Valuation – inherent risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.
The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2019 this totalled £10.480 million.
The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.
Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to the Broads Authority;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team;
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

The reporting from the Pension Fund auditors highlighted that the market value of the pension fund assets at 31 March 2019 was overstated by £20.5 million as a result of the Fund using incorrect spot rates for conversion of the Private Equity Investment.

Management has obtained a revised IAS19 report from the actuary and has amended the accounts for the updated asset figures, increasing the post employment benefit charged to the Comprehensive Income and Expenditure Statement by £134,000.

The reporting from the Pension Fund auditors highlighted that the market value of the pension fund assets at 31 March 2019 was £3,825.2 million. When compared to the actuaries estimate of the fund assets at 31 March 2019 of £3,834.8 million this creates a difference of £9.6 million. The Authority's share of the assets equates to approximately 0.7% of the fund. The Authority's share of the difference is therefore approximately £67,000 which management have chosen not to adjust.

In addition, there was an ongoing national issue has resulted in a relatively late change to the pension fund accounts and IAS19 fund liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft financial statements did not recognise this matter but the officers were aware of the issue. Since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included within the financial. The Guaranteed Minimum Pension ruling has also had an impact on the pension liability. In summary, the changes have increased the past service costs and in turn the pensions liability figure for the Broads Authority £198,000. Further details are provided in Section 4.
No other significant matters were reported by the Pension Fund auditors. No other issues have been identified in completing our work.

Assumptions used by the actuary and adopted by the Authority are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.

Other Areas of Audit Focus

New Accounting Standards – IFRS 9

What is the risk?

IFRS 9 financial instruments

The new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change how financial assets are classified and measured, how the impairment of financial assets are calculated; and the disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- Assessed the Authority's implementation arrangements that included an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed the new expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements.

What are our conclusions?

We identified a disclosure error in relation to Financial Instruments in Note 35 where Financial Assets have been understated by £1.434 million due to 'Cash and Cash Equivalents' of £1.198 million and Short-Term Debtors of £0.236 million being incorrectly excluded from the balance. The error, and the prior year comparative have been corrected by Management. Further details are provided in Section 4.

Other Areas of Audit Focus

New Accounting Standards – IFRS 15

What is the risk?

IFRS 15 Revenue from contracts with customers

The new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like government grants and toll income will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- Assessed the Authority's implementation arrangements that included an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the application to the Authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Checked additional disclosure requirements.

What are our conclusions?

We have not identified any issues with the implementation of the new standard.

03 Audit Report

Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BROADS AUTHORITY

Opinion

We have audited the financial statements of the Broads Authority for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement;
- Authority Comprehensive Income and Expenditure Statement;
- Authority Balance Sheet;
- Authority Cash Flow Statement; and
- The Expenditure and Funding Analysis and the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Broads Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Our proposed opinion on the financial statements

Other information

The other information comprises the information included in the "Statement of Accounts 2018/19", other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Broads Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Audit Report - continued

Our proposed opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the “Statement of Responsibilities for the Statement of Accounts” set out on page 10, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements , in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Broads Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Broads Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Audit Report - continued

Our proposed opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of the Broads Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £8,500 which have been identified and corrected by management:

1. The Pension Liability was understated by £198,000 as a result of the McCloud and the Guaranteed Minimum Pension rulings. The changes have increased the past service costs of £195,000 and Net Interest on the Net Defined Benefit Liability of £3,000.

- Debit: Comprehensive Income and Expenditure (CIES) – Post Employment Benefits = £198,000
- Credit: Balance Sheet – Pension Liability = £198,000

2. The actuarial losses charged to Comprehensive Income and Expenditure Statement (CIES) was understated by £134,000 as a result of overstatement of Investment Assets in Norfolk Pension Fund's accounts. Management has obtained a revised IAS19 report from the actuary and has amended the accounts for the updated asset figures.

- Debit: Comprehensive Income and Expenditure (CIES) – Actual Losses on Pension Assets/Liabilities = £134,000
- Credit: Balance Sheet – Pension Liability = £134,000

3. The income total in Comprehensive Income and Expenditure Statement (CIES) was understated by £107,000 due to no accrual being made for the outstanding European Regional Development Fund Grant Income at year-end. As a result the Debtors balance was also understated. This has also been updated in Note 28 – Grant Income.

- Debit: Balance Sheet – Short Term Debtors = £107,000
- Credit: Comprehensive Income and Expenditure (CIES) = £107,000

4. Note 35 - Financial Instruments. Financial Assets have been understated by £1.539 million due to 'Cash and Cash Equivalents' of £1.196 million (Prior Year - £1.694 million) and Short-Term Debtor of £0.343 million (Prior Year - £0.170 million) being incorrectly excluded from the balance. The error has been corrected by management, including the comparative figures in the Note.

Our audit also identified a limited number of minor misstatements which our team has highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in the Statement of Accounts. We do not deem any to merit reporting to you.

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of unadjusted differences

We highlight the following misstatements greater than £8,500 which have not been corrected by management:

The Actuary, within its IAS19 report estimated the Pension Fund asset value as at the 31 March 2019 and the Authority used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Norfolk Pension Fund auditor. These procedures, identified that the actual asset valuation at the 31 March 2019 was £9.6 million less than the Actuary's estimate. The Authority's share of this difference is £67,000.

This has the following impact:

- Debit: Comprehensive Income and Expenditure (CIES) – Actual Losses on Pension Assets/Liabilities = £67,000
- Credit: Balance Sheet – Pension Liability = £67,000

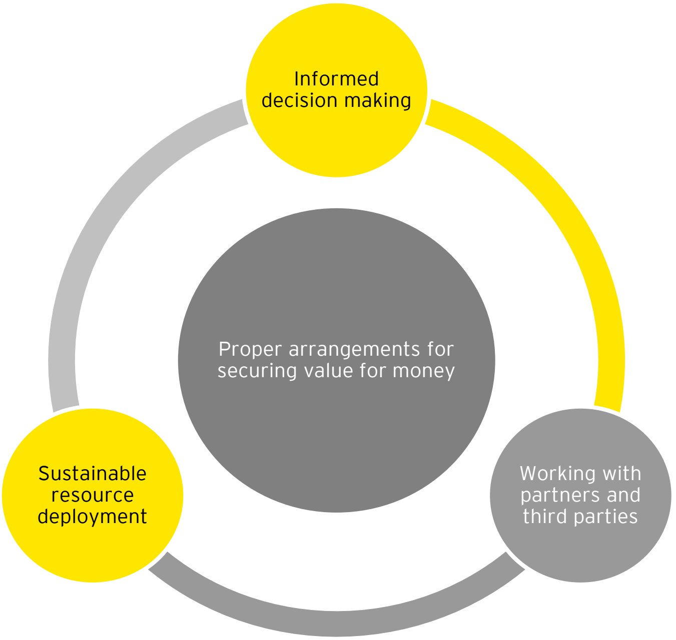
This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the IAS 19 reports within its draft financial statements.

We request that the uncorrected misstatement be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Risk Committee and provided within the Letter of Representation.

At the date of drafting this report there are no other uncorrected misstatements that we wish to bring to your attention.

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements.

We have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the Authority falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").
We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues and have not had course to use this duty.

Other reporting issues

Other matters
As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following: • Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Any significant difficulties encountered during the audit; • Any significant matters arising from the audit that were discussed with management; • Written representations we have requested; • Expected modifications to the audit report; • Any other matters significant to overseeing the financial reporting process; • Related parties; • External confirmations; • Going concern; • Consideration of laws and regulations. We have no matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls
It is the responsibility of the Broads Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Broads Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice. As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 5 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Risk Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Risk Committee on 19 November 2019.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Independence

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm we have undertaken no non-audit work outside the PSAA Code requirements.

As at the date of this report there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

	Final Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Audit Fee – Code work	10,736 – Note 1	10,736	13,943
Total Fees	10,736	10,736	13,943

Note 1 – Subject to the satisfactory completion of the remainder of our audit procedures.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.

09 Appendices

Appendix A - Required communications with the Audit and Risk Committee

There are certain communications that we must provide to the Audit and Risk Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – presented to the Audit and Risk Committee on 5 March 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – presented to the Audit and Risk Committee on 5 March 2019
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019

Appendix A - continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about the Broads Authority ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Fraud	▸ Enquiries of the Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Risk Committee responsibility.	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019

Appendix A - continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan – presented to the Audit and Risk Committee on 5 March 2019 Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019

Appendix A - continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	We received all requested external confirmations.
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – presented to the Audit and Risk Committee on 5 March 2019 Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019

Appendix A- continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit & Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▶ Significant deficiencies in internal controls identified during the audit.	Audit Results Report - presented to the Audit and Risk Committee on 19 November 2019

Appendix B – Request for a Management representation letter

Request for a Management Representation Letter

Building a better working world

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

Tel: + 44 1223 394400
Fax: + 44 1223 394401
ey.com

INVESTOR IN PEOPLE

Emma Krelle,
Chief Finance Officer
Broads Authority
Yare House,
62-64 Thorpe Road,
Norwich
Norfolk,
NR1 1RY

6 November 2019

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Emma,

Broads Authority – 2018/19 financial year
Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Authority.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of The Broads Authority ("the Authority") for the year ended 31 March 2019.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of The Broads Authority as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

Building a better working world

2

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. That you acknowledge as members of management of the Authority, your responsibility for the fair presentation of the Authority's financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the Authority financial statements.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

   That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

   or;

   That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.

   * Please delete as appropriate

Request for a Management Representation Letter

EY
Building a better working world

3

B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Authority and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 19 November 2019.

EY
Building a better working world

4

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (please specify the Note) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than described in the relevant note (Note X) to the Authority's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

Request for a Management Representation Letter

- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Authority.

H. Going Concern

1. That you have made us aware of any issues that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet(s).

J. Reserves

1. You have properly recorded or disclosed in the Authority financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Authority's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Authority financial statements due to subsequent events.

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2018/19.
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. Specific Representations

We do not require any specific representations in addition to those above.

Appendix B – Request for a Management representation letter (continued)

Request for a Management Representation Letter

EY
Building a better working world

7

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

ey.com

Broads Authority

Yare House 62-64 Thorpe Road
Norwich Norfolk NR1 1RY

tel 01603 610734
broads@broads-authority.gov.uk
www.broads-authority.gov.uk

Mark Hodgson
Associate Partner
Ernst & Young
One Cambridge Business Park
Cambridge
CB4 0WZ

Date 22 November 2019 Our ref Your ref

Dear Mark

Broads Authority Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of Broads Authority ("the Authority") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of the Broads Authority as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.

5. That the effects of unadjusted audit differences, summarised in the Audit Results Report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in aggregate, to the financial statements taken as a whole.

   We have not corrected these differences identified and brought to our attention by you because the Pension Liability is calculated by the Actuary. This technique uses significant estimation and judgement at that point in time. Management accept that market values can vary on a day-to-day basis.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
   - Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Authority and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 19 November 2019.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed these in the financial statements, within note 34. There are no guarantees we have given to third parties.

E. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

   - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

   - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

1. We confirm that the financial statements reflect the operating segments reported internally to the Authority.

H. Going Concern

1. We have made you aware of any issues that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

J. Reserves

1. We have properly recorded or disclosed in the Authority financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets

1. That we agree with the findings of the experts engaged to evaluate the values of the Authority's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Authority's financial statements and the underlying accounting records. That we did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority financial statements due to subsequent events.

6. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. We confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. We agree with the findings of the specialists that we have engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

4. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events.

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2018/19.

2. We confirm that the content contained within the other information is consistent with the financial statements.

Yours sincerely

____

(Chief Financial Officer)

____

(Chairman of the Audit and Risk Committee)

Audit and Risk Committee

19 November 2019
Agenda item number 10

Preparation for the 2020/21 budget including 2019/20 actuals

Report by Chief Financial Officer

Summary

This report provides a strategic overview of current key financial issues and items.

Recommendation

i. To note the budget process for 2020/21.

ii. To note the income and expenditure figures.

Contents

1. Introduction

1.1. Following Navigation Committee on 31 October 2019 where the potential tolls charges were considered, there will be a short presentation that sets out the budget process. This will cover pressures on the budget and the views of the Navigation Committee.

1.2. The remainder of this report will cover the Consolidated Income and Expenditure from 1 April to 30 September 2019.

2. Overview of Actual Income and Expenditure

Table 1

Actual consolidated income and expenditure by directorate to 30 September 2019

Directorate	Profiled Latest Available Budget £	Actual Income and Expenditure £	Actual Variance £
Income	(5,886,039)	(5,899,371)	+ 13,332
Operations	2,167,695	2,003,936	+ 163,759
Strategic Services	829,682	774,318	+ 55,364
Chief Executive	877,870	803,444	+ 74,426
Projects, Corporate Items and Contributions from Earmarked Reserves	(75,900)	34,789	- 110,689
Net (Surplus) Deficit	**(2,086,692)**	**(2,282,884)**	**+ 196,192**

2.1. Income is slightly above the profiled budget at the end of month six. The overall position as at 30 September is a favourable variance of £196,192 or a 9.4% difference from the profiled latest available budget (LAB). This is principally due to:

- An overall favourable variance of £13,333 within core income:
  - Hire Craft Tolls is £10,121 behind the profiled budget.
  - Private Craft Tolls is £18,700 above the profiled budget.
  - Short visit/other tolls is £727 behind the profiled budget.
  - Interest is £5,481 above the profiled budget.
- A favourable variance within Operations relating to:
  - Construction and Maintenance Salaries is under the profiled budget by £13,442, due to a number of vacancies that have arisen throughout the year which have now been filled.
  - Equipment, Vehicle and Vessels is under the profiled budget by £13,414, due to increased income from the sale/hire of the tug Cannonbrook. This income has been added to the earmarked reserve.
  - Water Management is under the profiled budget by £11,742 due to timing differences.

- Land Management is under the profiled budget by £25,728 due to income being ahead from the Rural Payments Agency.
- Ranger Services is under the profiled budget by £10,961, this is predominantly due to an underspend on salaries following vacancies.
- Premises is under the profiled budget by £41,563 due to a timing difference on the contract for design of the concrete pad being issued. This is offset by the corresponding Premises Reserve variance.
- Project Funding is under the profiled budget by £38,424 due to the uncertain nature of when projects will be submitted.

- A favourable variance within Strategic Services relating to:
  - Development Management is under the profiled budget by £13,781 due to the Local Plan Inspection coming in less than expected. This is offset by the corresponding Planning Delivery Grant reserve variance. It should also be noted that income from Planning fees is under budget which has reduced the overall variance.
  - Strategy and Projects is under the profiled budget by £25,331 due to a delayed Catchment project. This is likely to slip into 2020/21 as its delivery is dependent on warmer weather. This is offset by the corresponding Catchment Reserve variance.
  - Communications is under the profiled budget by £22,584 due to timing differences within the events and education budgets.
  - Visitor Centres and Yacht Stations is above the profiled budget by £11,519 due to the trip boat Liana requiring a replacement engine ahead of the annual refit and repairs.
- A favourable variance within Chief Executive relating to:
  - Legal is under the profiled budget by £33,182 due to salary savings.
  - Asset Management is under the profiled budget by £12,811 due to timing differences on leases payments and consultancy.
  - Finance and Insurance is under the profiled budget by £21,288 due to salary savings following a vacancy and a reduction in insurance premiums.

2.2. The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB

3. Latest available budget

3.1. The Authority’s income and expenditure is monitored against the latest available budget (LAB) for 2019/20. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Full details of movements from the original budget are set out in Appendix 2.

Table 2
Adjustments to LAB

Item	Authorisation Reference	Amount £
Original budget 2019/20 - deficit	Broads Authority 01/02/19 Agenda item number 12	44,381
Approved budget carry-forwards	Broads Authority 17/05/19 Agenda item number 12	15,094
Cybercrime	Broads Authority 17/05/19 Agenda item number 25	36,000
Water Resources East membership	Broads Authority 27/09/19 Agenda item number 13	15,000
LAB as at 30 September 2019	n/a	**110,475**

4. Overview of forecast outturn 2019/20

4.1. Budget holders have been asked to comment on the expected income and expenditure at the end of the financial year in respect of all budget lines for which they are responsible. A summary of these adjustments is given in the table below:

Table 3
Adjustments to Forecast Outturn

Item	Amount £
Forecast outturn deficit as per LAB	110,475
Decrease to Hire Craft Toll income	10,000
Increase to Private Craft Toll income	(10,000)
Increase to Interest income	(17,500)
Decrease to Waterways and Recreation following a restructure and vacancy	(23,560)
Increase Climate Change work two days per week	9,265
Decrease to Legal Services following the Solicitor vacancy	(26,430)
Decrease to Insurance premiums	(12,000)

Item	Amount £
Increase to the winter capacity within Collection of Tolls	6,675
Forecast outturn deficit as at 30 September 2019	**46,925**

5. Reserves

5.1. As with previous years, the Authority's contributions to the reserves have all been made in full at the end of quarter one. This has resulted in the reserves showing increased balances at the end of September. This will reduce as planned purchases take place throughout the year.

5.2. £913,086 of the current reserve balance below relates to Navigation reserves.

Table 4
Consolidated earmarked reserves

Reserve name	Balance at 1 April 2019 £	In-year movements £	Current Reserve balance £
Property	(569,960)	(72,462)	(642,422)
Plant, Vessels and Equipment	(275,291)	(116,143)	(391,434)
Premises	(195,398)	(78,250)	(273,648)
Planning Delivery Grant	(269,393)	59,311	(210,082)
Upper Thurne Enhancement	(120,453)	(21,000)	(141,453)
Section 106	(103,430)	(4,580)	(108,010)
HLF	(89,739)	207,044	117,305
Catchment Partnership	(89,021)	(9,073)	(98,094)
CANAPE	(79,309)	(72,591)	(151,900)
Computer Software	(11,481)	(10,000)	(21,481)
Total	**(1,803,475)**	**(117,744)**	**(1,921,219)**

6. Conclusion

6.1. The forecast outturn position for the year suggests a deficit of £52,693 for the national park side and a surplus of £5,768 on navigation. This will result in an overall consolidated deficit of £46,925. This would indicate a general fund reserve balance of

£1,011,000 and a navigation reserve balance of approximately £432,000 at the end of 2019/20 before any transfers of interest. This will mean that the navigation reserve will be above the recommended level of 10% of net expenditure during 2019/20.

Author: Emma Krelle

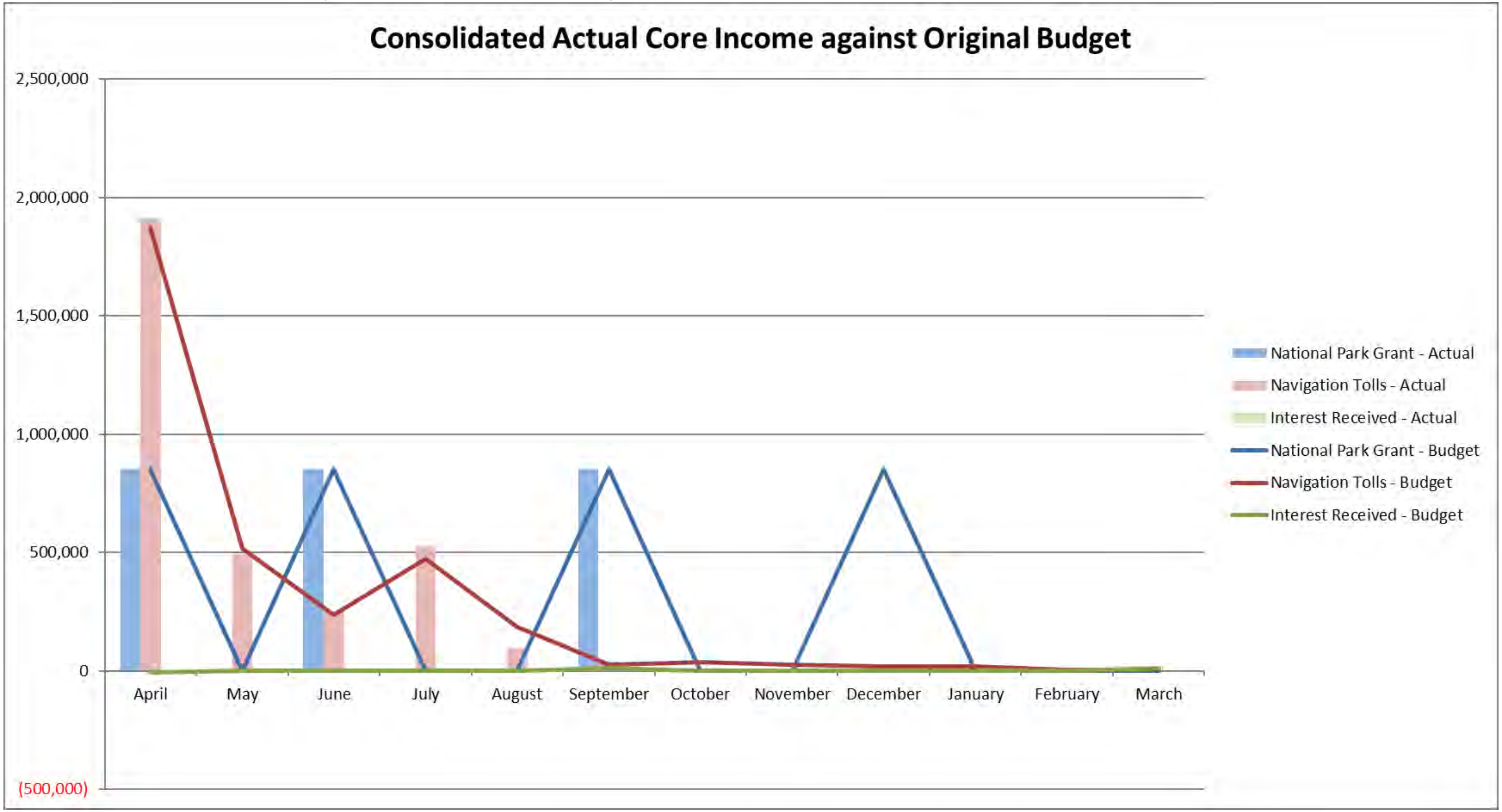
Date of report: 29 October 2019

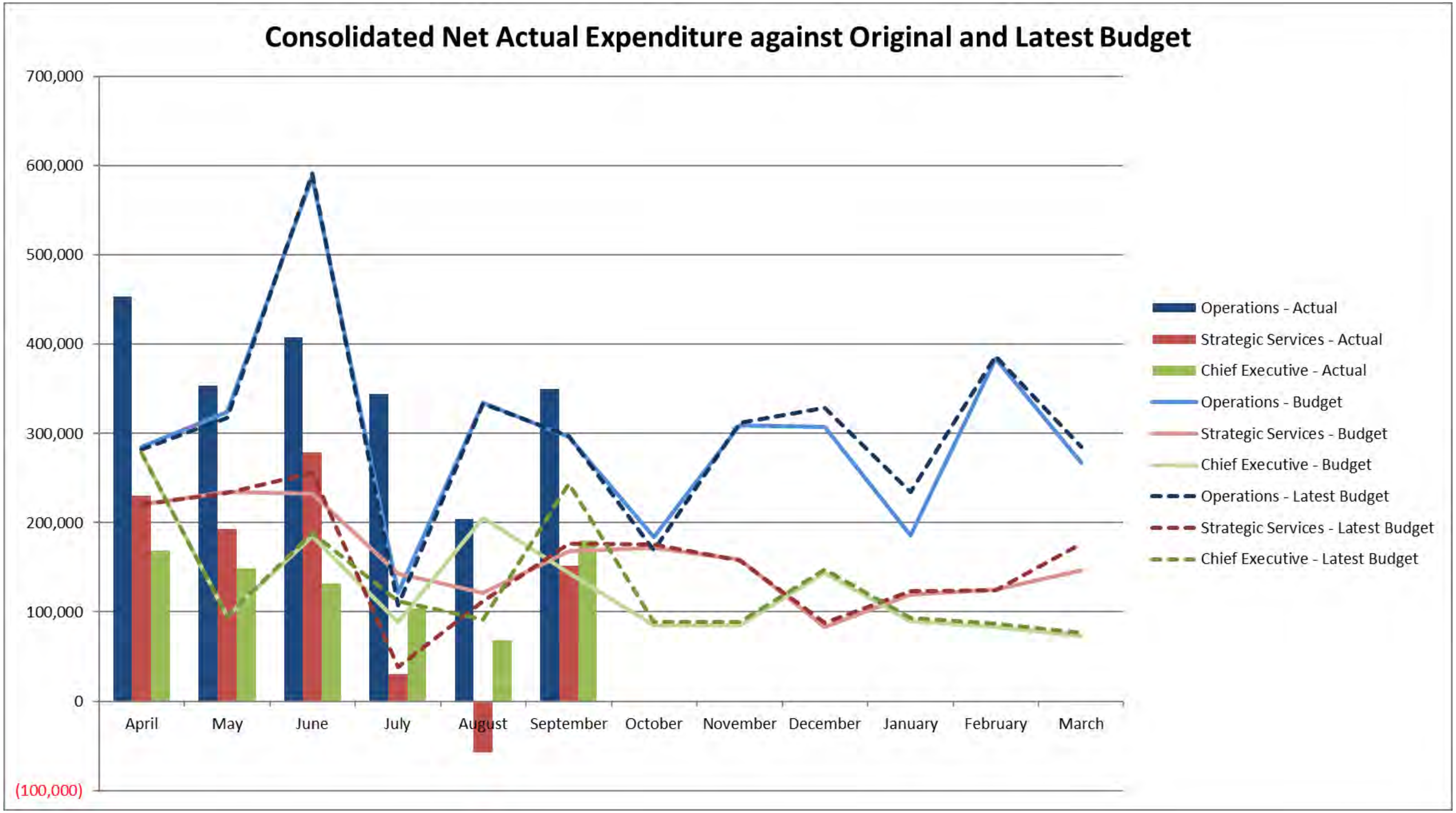
Appendix 1 – Consolidated actual income and expenditure charts to 30 September 2019

Appendix 2 – Financial monitor: Consolidated income and expenditure 2019/20

Appendix 1

Consolidated income and expenditure charts to 30 September 2019




Consolidated Net Actual Expenditure against Original and Latest Budget
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
(100,000)
April
May
June
July
August
September
October
November
December
January
February
March
Operations - Actual
Strategic Services - Actual
Chief Executive - Actual
Operations - Budget
Strategic Services - Budget
Chief Executive - Budget
Operations - Latest Budget
Strategic Services - Latest Budget
Chief Executive - Latest Budget

Appendix 2

Financial Monitor: Consolidated Income and Expenditure 2019/20

Table 1

Income

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Income	**(6,869,078)**	**0**	**(6,869,078)**	**(6,886,578)**	**17,500**
National Park Grant	(3,414,078)	0	(3,414,078)	(3,414,078	0
Hire Craft Tolls	(1,189,000)	0	(1,189,000)	(1,179,000)	-10,000
Private Craft Tolls	(2,175,000)	0	(2,175,000)	(2,185,000)	10,000
Short Visit Tolls	(42,000)	0	(42,000)	(42,000)	0
Other Toll Income	(19,000)	0	(19,000)	(19,000)	0
Interest	(30,000)	0	(30,000)	(47,500)	17,500

Table 2
Operations

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Operations	**3,945,630**	**57,342**	**4,002,972**	**3,979,412**	**23,560**
Construction and Maintenance Salaries	1,225,520	28,167	1,253,687	1,253,687	0
Salaries	1,231,130	28,167	1,259,297	1,259,297	0
Expenditure	(5,610)	0	(5,610)	(5,610)	0
Equipment, Vehicles & Vessels	454,000	5,550	459,550	459,550	0
Income	0	0	0	0	0
Expenditure	454,000	5,550	459,550	459,550	0
Water Management	125,970	0	125,970	125,970	0
Expenditure	125,970	0	125,970	125,970	0
Land Management	(48,440)	0	(48,440)	(48,440)	0
Income	(102,600)	0	(102,600)	(102,600)	0
Expenditure	54,160	0	54,160	54,160	0
Practical Maintenance	485,500	0	485,500	485,500	0
Income	(10,700)	0	(10,700)	(10,700)	0
Expenditure	496,200	0	496,200	496,200	0

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Waterways and Recreation Strategy	89,460	(3,500)	85,960	62,400	23,560
Salaries	79,960	(3,500)	76,460	52,900	23,560
Expenditure	9,500	0	9,500	9,500	0
Ranger Services	779,740	0	779,740	779,740	0
Income	(100,000)	0	(100,000)	(100,000)	0
Salaries	701,260	0	701,260	701,260	0
Expenditure	176,880	0	176,880	176,880	0
Pension Payments	1,600	0	1,600	1,600	0
Safety	130,000	27,125	157,125	157,125	0
Income	(3,300)	0	(3,300)	(3,300)	0
Salaries	62,600	0	62,600	62,600	0
Expenditure	70,700	27,125	97,825	97,825	0
Premises	232,910	0	232,910	232,910	0
Income	(1,000)	0	(1,000)	(1,000)	0
Expenditure	233,910	0	233,910	233,910	0
Premises - Head Office	250,640	0	250,640	250,640	0
Income	(240)	0	(240)	(240)	0

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Expenditure	250,880	0	250,880	250,880	0
Project Funding	100,000	0	100,000	100,000	0
Expenditure	100,000	0	100,000	100,000	0
Pension Payments	0	0	0	0	0
Operations Management and Administration	120,330	0	120,330	120,330	0
Salaries	115,620	0	115,620	115,620	0
Expenditure	4,710	0	4,710	4,710	0

Table 3

Strategic Services

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Strategic Services	**1,679,765**	**(41,707)**	**1,638,058**	**1,619,248**	**18,810**
Development Management	425,615	23,335	448,950	420,875	28,075
Income	(100,000)	0	(100,000)	(100,000)	0
Salaries	403,790	0	403,790	403,790	0
Expenditure	117,425	23,335	140,760	112,685	28,075
Pension Payments	4,400	0	4,400	4,400	0
Strategy and Projects Salaries	350,035	(78,801)	271,234	271,234	0
Income	(20,470)	0	(20,470)	(20,470)	0
Salaries	247,290	(60,301)	186,989	186,989	0
Expenditure	123,215	(18,500)	104,715	104,715	0
Strategy and Projects	5,000	0	5,000	14,265	-9,265
Salaries	0	0	0	9,265	-9,265
Expenditure	5,000	0	5,000	5,000	0
Biodiversity Strategy	7,670	0	7,670	7,670	0
Expenditure	7,670	0	7,670	7,670	0

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Human Resources	134,720	15,094	149,814	149,814	0
Salaries	76,420	0	76,420	76,420	0
Expenditure	58,300	15,094	73,394	73,394	0
Volunteers	77,340	0	77,340	77,340	0
Salaries	51,740	0	51,740	51,740	0
Expenditure	25,600	0	25,600	25,600	0
Communications	324,245	0	324,245	324,245	0
Income	0	(99,600)	(99,600)	(99,600)	0
Salaries	240,530	52,250	292,780	292,780	0
Expenditure	83,715	47,350	131,065	131,065	0
Visitor Centres and Yacht Stations	244,260	0	244,260	244,260	0
Income	(245,100)	0	(245,100)	(245,100)	0
Salaries	351,260	0	351,260	351,260	0
Expenditure	138,100	0	138,100	138,100	0
Strategic Services Management and Administration	110,880	(1,335)	109,545	109,545	0
Salaries	107,270	0	107,270	107,270	0

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Expenditure	3,610	(1,335)	2,275	2,275	0

Table 4
Chief Executive

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Chief Executive	**1,415,254**	**35,634**	**1,450,888**	**1,419,133**	**31,755**
Legal	116,430	0	116,430	90,000	26,430
Income	0	0	0	0	0
Salaries	51,430	0	51,430	0	51,430
Expenditure	65,000	0	65,000	90,000	-25,000
Governance	233,445	35,634	269,079	269,079	0
Income	0	0	0	0	0
Salaries	113,480	35,634	149,114	149,114	0
Expenditure	119,965	0	119,965	119,965	0
Chief Executive	118,830	0	118,830	118,830	0
Salaries	114,330	0	114,330	114,330	0

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Expenditure	4,500	0	4,500	4,500	0
Asset Management	113,944	0	113,944	113,944	0
Income	(25,540)	0	(25,540)	(25,540)	0
Salaries	46,890	0	46,890	46,890	0
Expenditure	92,594	0	92,594	92,594	0
Finance and Insurance	373,735	0	373,735	361,735	12,000
Income	0	0	0	0	0
Salaries	161,100	0	161,100	161,100	0
Expenditure	212,635	0	212,635	200,635	12,000
Collection of Tolls	135,860	0	135,860	142,535	-6,675
Salaries	123,360	0	123,360	130,035	-6,675
Expenditure	12,500	0	12,500	12,500	0
ICT	323,010	0	323,010	323,010	0
Salaries	192,660	0	192,660	192,660	0
Expenditure	130,350	0	130,350	130,350	0

Table 5

Projects and Corporate items

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Projects and Corporate Items	**124,918**	**51,000**	**175,918**	**166,653**	**9,265**
Partnerships / HLF	28,718	0	28,718	19,453	9,265
Income	(754,629)	0	(754,629)	(754,629)	0
Salaries	180,250	0	180,250	170,985	9,265
Expenditure	603,097	0	603,097	603,097	0
Corporate Items	96,200	51,000	147,200	147,200	0
Expenditure	3,200	51,000	54,200	54,200	0
Pension Payments	93,000	0	93,000	93,000	0

Table 6

Contribution from earmarked reserves

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Total Contributions from Earmarked Reserves	**(252,108)**	**(36,175)**	**(288,283)**	**(250,943)**	**-37,340**
Earmarked Reserves	(252,108)	(36,175)	(288,283)	(250,943)	-37,340
Expenditure	(252,108)	(36,175)	(288,283)	(250,943)	-37,340

Table 7

Net (Surplus) / Deficit

Row Labels	Original Budget (Consolidated) £	Budget Adjustments (Consolidated) £	Latest Available Budget (Consolidated) £	Forecast Outturn (Consolidated) £	Forecast Outturn Variance (Consolidated) £
Grand Total	**44,381**	**66,094**	**110,475**	**46,925**	**63,550**

Audit and Risk Committee

19 November 2019
Agenda item number 11

Risk management register and policy: Update

Report by Head of Governance

Summary

The Authority's Corporate Risk Register (previously called the Strategic Risk Register) and Risk Management Policy have been reviewed and updated.

Recommendation

To approve the updated Corporate Risk Register and Risk Management Policy.

1. Background

1.1. The Broads Authority's Corporate Risk Register was reviewed and updated in October 2019 (Appendix 1). The Register focuses on high level strategic risk, with more detailed operational level risks contained in separate Directorate Risk Registers.

1.2. In this Corporate Risk Register ten risks are identified under the core areas of people, finance, assets, performance and reputation. Each risk is scored for likelihood and severity, and the two scores multiplied to produce an initial risk score. Each risk is then scored again, with mitigation measures in place, to produce a revised risk score.

1.3. The revised risk scores show that eight risks are assessed as 'medium risk' and two as 'low risk'. No high risks are identified. In all cases, applying mitigation measures has reduced the initial risk scores.

1.1. The Authority also has a Risk Management Policy setting out our rules and standards for corporate and operational risk management, and this has been updated. The policy guides staff in monitoring and managing risk on a day-to-day basis when planning or implementing activities. The updated policy is at Appendix 2.

Author: Maria Conti

Date of report: 22 October 2019

Appendix 1 – Corporate Risk Register

Appendix 2 – Risk Management Policy

Appendix 1 - Corporate Risk Register (Aug 2019)

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 knowledge and expertise	Loss of knowledge, expertise or working associations, due to key staff leaving 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 polices in place to support staff retention Reviewing electronic data storage 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 2019)	Chief Executive
Reputation	2	Harmful actions undermining public confidence in Broads Authority	Damage caused by comments or actions by BA Member or Officer, with consequent harm to relationships with key 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 Code of Conduct for Officers in HR policies Training on Code of Conduct provided to all Members Protocol on Member and Officer Relations in place (updated May 2017) Proactive communication policy with local media and social media	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 (e.g. navigation, moorings, Mutford Lock, rail bridges, Port of Norwich) that would impact public access/services	19/8/2019	3	4	Medium risk 12	Asset Management Strategy in place Integrated Access Strategy and Moorings Strategy in place (updated 2019) BA attendance at Network Rail meetings Insurance in place for equipment and buildings over £250. Cover includes business interruption. Landowner negotiations processes in place Programmed inspection regime in place and regular maintenance carried out	3	2	Medium risk 6	Implement action plan to consolidate network of mooring provision across system Engage in meetings with Norfolk County Council, New Anglia and Network Rail about Trowse bridge and rail swing bridges	Director of Operations
Finance	4	Reduction in income	Uncertainty on how BA will be funded from 1 April 2020 by DEFRA, as well as toll income uncertainty. Any reduction would impact our ability to deliver our duties.	19/8/2019	3	5	Medium risk 15	Regular contact with Government (DEFRA) to follow up on Comprehensive Spending Review Regular input to Government consultations Landscapes Review – positive proposals about maintaining at least current funding levels Prudent budgeting for Navigation and National Park expenditure. Reserves in place to mitigate against sudden drop in income. Some significant blocks of work delivered through	2	3	Medium risk 6	Model expenditure options depending on proposed grant settlement and toll increases. Negotiate with DEFRA when timings are known, including joint response from English National Parks	Chief Financial Officer

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
								external funds won by BA					
Performance	5	Not meeting statutory duties or requirement of external legislation	Underperformance of, or conflict between statutory purposes resulting in legal issues and/or negative impacts (e.g. contravening Habitats Directive, loss of navigation)	19/8/2019	3	5	Medium risk 15	Professional staff trained and diligent in protecting ecology and the environment Detailed processes in place including Environmental Standard Operating Procedures Collaborative working in place 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 to statutory regulations Scientific research and monitoring ongoing to assess impacts and mitigation measures developed if potential harm identified.	2	2	Low risk 4	Review aquatic plant cutting regime and standards required	Chief Executive
Performance	6	Not meeting statutory duties as a local planning authority	Underperformance of planning function resulting in legal issues and/or negative impacts on our reputation	19/8/2019	3	4	Medium risk 12	Statutory duties identified as part of appraisal process with key staff Staff training 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	7	Safety incidents	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 All staff and volunteers trained in key H&S issues, regular tool box talks given before carrying out tasks Safety Observations - ONS system in place to catch near misses and learn from incidents. All accidents investigated. Regular audits used to check control measures. Insurance in place for legal expenses Quarterly reports on Health and Safety Monitoring assessed by Management Team	2	5	Medium risk 10	Monitor changes in H&S legislation Monitor industry best practice and implement changes where required	Director of Operations
Reputation	8	Disruption in key 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	Contractual arrangements in place for key partnerships (see Partnership Register) Regular project progress reports taken to BA members Proactive role maintained within formal and	3	3	Medium risk 9	Review and update Partnership Register – by Nov 2019 Develop risk register for UK NP comms team	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
								informal partnerships					
Data security	9	Breach in 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, data breach or cybercrime to BA systems	19/8/2019	4	4	High risk 16	Training in cybercrime given to all budget holders Certified GDPR Data Protection Officer(s) in place Data Protection training given to staff	2	4	Medium risk 8	Review GDPR Compliance Plan Monitor and review case law and keep up to date with GDPR and data protection information/ best practice	Director of Operations
Finance	10	Projects externally funded by EU post-Brexit	Failure to get reimbursement for expenses occurred for projects funded by EU in event of no-deal Brexit scenario	19/8/2019	2	4	Medium risk 8	Detailed Risk Register for CANAPE reviewed at least twice a year by Steering Group with entries related to Brexit Regular contact made with Joint Secretariat of North Sea Programme Regular reports on CANAPE taken to BA members Treasury has guaranteed funding for all organisations where EU funded project was approved before Brexit	2	2	Low risk 4	None	Director of Strategic Services

Prepared by: Management Team and Head of Governance
Date updated: 19 August 2019
Next update due: 19 February 2020

Appendix 2 - Risk Management Policy

1. Introduction

1.1 This document sets out the Broads Authority's rules and standards for strategic and operational risk management. It also guides staff in the monitoring and management of 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 two key dimensions - 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. It emphasises that risk management creates and protects value by contributing to the organisation's objectives and improving its performance, efficiency, governance and reputation. As such, it should be integral to all processes and for all staff.

3.3 Some good principles for managing risk are that:

- It needs to be systematic, structured and timely.
- It is based on the best available information – 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.
- Finally, it needs to demonstrate continuous improvement.

3.4 Not having risk management procedures in place could result in a failure to identify and monitor risks or have appropriate and proportionate mitigation measures. When assessing risk, it is also important to bear in mind:

- the expectations of stakeholders and the public that risk will be managed effectively;
- the demands of legislation and external bodies, such as regulators and auditors;
- the value of risk management in helping to make better informed decisions in the effective use of capital and resources;
- the reduction in costly mistakes, re-work and fire-fighting that can arise from effective risk management; and
- the desire to make the organisation a better and safer place to work and with which to do business.

4. Roles and responsibilities

Audit and Risk Committee

4.1 For the Authority, the Audit and Risk Committee oversees the development and operation of risk management at a strategic level, and reviews the Corporate Risk Register on a regular basis.

Management Team

4.2 Management Team (MT) is responsible for monitoring and managing risk across the organisation and making sure effective policies and procedures are in place. MT oversees the review and updating 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 attention of the Audit and Risk Committee.

Directors

4.3 Directors are responsible for making sure risk management is embedded into the work of their Directorates, and that risk owners and other staff are aware of its importance and have appropriate mitigation measures in place. Directors are also responsible for their Directorate Risk Registers, which focus on day-to-day operational activities and link up to the Corporate Risk Register. Directors 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 just 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 implementation for 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 and operational Directorate Risk Registers for Strategic Services, Operations and Chief Executive's Group.

5.2 The **Corporate Risk Register** sets out the risks that could threaten the Authority's core business and the way it operates. The Corporate Risk Register is available on the Authority's intranet.

5.3 **Directorate Risk Registers** identify risks that could threaten day-to-day operational activities. Where a risk identified within a Directorate has a revised risk score above 16 (high risk), it will automatically be referred to the Corporate Risk Register. The Registers are maintained by each Director.

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
>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 factors – government policy and stability
- Economic factors – employment rates, material costs and interest/exchange rates
- Social factors – demographics, cultural trends and changes in lifestyle
- Technology factors – innovation and development
- Legal factors – employment, health and safety legislation and regulations
- Environmental factors – climate, carbon footprint, sustainability, recycling and disposal of waste

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 priorities or 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 formally 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 also be reviewed by the Audit and Risk Committee twice a year. Where a risk score has increased, the reasons for this change will be set out.

Date of review: 17 October 2019
Date of next review: October 2021
Contact officer: Head of Governance

Audit and Risk Committee

19 November 2019
Agenda item number 12

Corporate Partnerships Register

Report by Head of Governance

Summary

The Broads Authority maintains a register of its key partnerships with external organisations. The Corporate Partnerships Register has been updated and is appended to this report.

Recommendation

To note the updated Corporate Partnerships Register in Appendix 1.

1. About our corporate partnerships

1.1. The Broads Authority works in partnership with a wide range of organisations to meet its statutory purposes and strategic objectives for the Broads.

1.2. These partnerships add value to our work by helping to:

- coordinate and increase project delivery, access new resources, achieve economies of scale and reduce waste and duplication
- tackle complex, cross-sector and Broads-wide issues and share risks
- build understanding and relationships between different organisations and sectors, and with our stakeholders and local communities
- develop new ideas and ways of working
- hold greater influence together than as individual partners

1.3. A 'partnership' refers to an arrangement involving the Authority and one or more external organisations, from any sector, who share responsibility for agreeing and implementing actions to meet common goals. Within each partnership, partners agree a formal structure or identifiable working process, contribute to objectives, share any risk in proportion to the benefits each receives, and share information.

1.4. In this context, a partnership does not include a traditional contractual arrangement where the delivery of a service or project has been awarded to a contractor (with or without a competitive tendering process), or to groups of elected members or officers from local authorities and others who come together to discuss strategy or policy. It also excludes ongoing day-to-day contact with statutory agencies whose responsibilities impact on or link closely to our work, such as Natural England or the Environment Agency. That said, there are occasions when the relationship with such bodies may constitute a partnership arrangement.

2. Partnerships protocol

2.1. The Authority will only enter into a formal partnership arrangement if it is able to invest the staff time, assets, knowledge and funding to play a full and constructive role. Before entering into a new arrangement, it will make sure that:

- the partnership's aims and objectives are clear, and it can be shown how they contribute to the Authority's statutory purposes and objectives
- there are clear terms of reference setting out how the partnership proposes to achieve its objectives
- the financial responsibilities of the respective parties are clearly established
- the partnership represents value for money, and the Authority could not achieve the same outcome more cost effectively
- there is a clear exit strategy should the partnership fail to meet its objectives
- there is a nominated responsible officer for the Authority
- the need for member involvement in any Partnership Board is considered

2.2. Management Team approval, and full Authority approval in some cases, will be obtained before entering into a new partnership agreement.

3. Corporate Partnerships Register

3.1. The Corporate Partnerships Register lists details for each partnership including name and purpose, partners and responsible Authority officer, perceived benefits to the Authority, duration, financial arrangements and actions. Associated risks and mitigation measures are noted in our Corporate Risk Register or more operational level Directorate Risk Registers.

3.2. The Authority's Management Team reviews the Partnerships Register on a regular basis, and may also commission an evaluation of the internal management and governance arrangements in place for any partnership.

3.3. The Management Team reviewed and updated the Register in October 2019. It considers that all partnerships are meeting their original aims and objectives, that internal management and governance arrangements are adequate and appropriate, and that the partnerships continue to represent value for money.

3.4. Notable changes since the last review include new partnerships with the UK National Parks Communications Team, Water Resources East and EXPERIENCE, and the ending of partnerships with Tesco and Whitlingham Charitable Trust.

3.5. The updated Corporate Partnerships Register is at Appendix 1 to this report.

Author: Maria Conti

Date of report: 17 October 2019

Broads Plan objectives: All

Appendix 1 – BA Corporate Partnerships Register (Oct 2019)

Appendix 1 - Corporate Partnerships Register (Oct 2019)

This Register shows the Broads Authority's corporate partnership arrangements with external organisations. Within each partnership, partners agree a formal structure or identifiable working process, contribute jointly to meeting objectives, share any risk in proportion to the benefits each receives, and share information and good practice. Any risks to the Authority associated with these partnerships are noted in our Corporate or Directorate Risk Registers.

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
ASSOCIATION OF INLAND NAVIGATION AUTHORITIES **Purpose**: To represent the collective views of navigation authorities to Government, regulators, other policy makers, funders and stakeholders. To provide information, advice and good practice for managing, operating and developing inland waterways for navigation and wider use. **Partners**: 18 partners including the Canal & River Trust, Environment Agency, BA and National Park Authorities, local government authorities, private canal companies, internal drainage boards, public and charitable trusts. **BA lead officer**: Director of Operations	Gives a collective voice greater than the sum of its constituent members. For example, it gives access to senior DEFRA officials and a chance to influence policy and regulations.	Ongoing	BA contribution £3,369 in 2018/19	None

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
BROADLAND CATCHMENT PARTNERSHIP **Purpose**: To steer a catchment approach to source funding, agree targets and deliver practical projects in collaboration. It is an informally constituted partnership. **Partners**: Broads Authority, Norfolk Rivers Trust, Environment Agency, Natural England, Water Management Alliance, Anglian Water, Essex & Suffolk Water, NFU, RSPB, Country Land & Business Association, Norfolk Farming & Wildlife Advisory Group **BA lead officer**: Broadland Catchment Partnership Officer	Supports catchment-wide project planning and delivery. Partner activities can be co-ordinated to achieve greater impact with collective ability to meet catchment water management challenges.	Ongoing	BA contribution approximately £31,280 p.a. in officer time	None
BROADS BEAT **Purpose**: Dedicated Police presence for the Broads alongside BA patrols to ensure safety and security on the Broads **Partners**: Broads Authority, Norfolk Constabulary, Environment Agency **BA lead officer**: Head of Ranger Services	Operational benefits to BA Rangers through practical day-to-day liaison with the Police.	Ongoing	Primarily financed by Norfolk Constabulary as lead partner. Additional funding is discretionary for all other sponsors. BA contribution £2,500 p.a. (2018/19) plus officer time to assist Broads Beat patrols.	None

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
BROADS LANDSCAPE PARTNERSHIP **Purpose**: To deliver the Water, Mills and Marshes Landscape Partnership Scheme. **Partners**: Broads Authority, Broads Society, Broads Tourism, City College Norwich, Easton and Otley College, Farm Conservation Limited, Great Yarmouth Preservation Trust, New Anglia LEP, Natural England, Norfolk County Council, Norfolk Windmills Trust, RSPB, Voluntary Norfolk, WLMA, Workers' Educational Association **BA lead officer**: Director of Operations	In return for a proportionately small BA contribution the area as a whole receives significant funding to make a real impact. The multi-partner, multi-project programme benefits local communities and the area's local natural, cultural and social heritage.	To 31 December 2022	Total project budget of £2.6m to be funded by National Heritage Lottery Fund, with additional income of £525k to be funded by third parties. BA contribution £200k from 2015/16 - 2018/19. Contribution in officer time planned to 2022.	None
BROADS TOURISM **Purpose**: To develop and promote a high quality and environmentally-friendly tourism industry in the Broads, fulfilling the BA's second statutory purpose and the duty to foster the economic and social well-being of those who live and work in the Broads. **Partners**: Broads Authority, local tourism businesses and promoters **BA lead officer**: Head of Communications	Supports coordinated approach to working with tourism businesses and promoters to encourage and manage sustainable tourism in the Broads and common messages	Ongoing	BA provides in-kind administrative support to Broads Tourism board, as well as occasionally producing publications and attending shows or other promotional events	None

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
CANAPE **Purpose**: Creating a new approach to peatland ecosystems (EU Interreg North Sea Region project) **Partners**: BA (lead partner), VHL University of Applied Sciences (NL), Waterschap Hunze En Aas (NL), Naturstyrelsen (DK), Natuurpunt Beheer VZW (BE), Landkries Diepholz (DE) **BA lead officer**: Director of Strategic Services	Project falls within overarching purpose of creating a sustainable North Sea Region, protecting against climate change and preserving the environment. Funding makes significant difference to BA's ability to sustain the natural environment, ecosystems and landscape in the Hickling Broad area.	To June 2022	BA to receive c. €729,508 EU grant benefit from project budget of €1.459m. BA cash financial contribution £60,000 in 2019/20, with further contributions until 2022. Officer time and equipment provided as required match funding.	Prepare for no-deal Brexit scenario
EXPERIENCE **Purpose**: EU Interreg project to develop and promote 'experiential tourism' to extend the visitor season and attract new visitors **Partners**: Norfolk County Council (lead partner), 14 partners in France and the UK (Norfolk, Kent, Cornwall, Pas-de-Calais, Compiègne, Brittany) **BA lead officer**: Head of Communications	Develops English National Park Experience Collection projects locally, supported by local accommodation providers. Immersive experiences tell the story of our unique landscapes, the people who live there and their history and culture.	Bid successful in July 2019, formal arrangements for project delivery awaited. Project to run to Mar 2023.	Overall value is €23.3m. BA budget is £254k over life of project, with £167k from EU.	Kick-off meeting expected to take place in Dec 2020

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
UK NATIONAL PARKS CHARITY FOUNDATION Purpose: Provide a vehicle for charitable giving by the corporate sector Partners: UK's National Park Authorities, though not all have committed to membership as yet. BA lead officer: Chief Executive	This national charity has been established in response to the Experience of National Park Partnerships in its engagement with the corporate sector which has shown that some companies would like to contribute to national parks but can only do so to a registered charity	The Charities Commission has approved the new charity. Next step is to set up a bank account.	No assets as yet.	Sir Peter Dixon has been appointed as a Trustee nominated by the Broads Authority.
NATIONAL PARKS ENGLAND **Purpose**: Association of the Authorities that look after the 10 National Parks in England **Partners**: The 9 National Park Authorities in England and the Broads Authority **BA Lead Officer**: Chief Executive. BA Chair sits on NPE Chairs' Group. BA Chief Executive sits on NPE Chief Executive's Group.	Provide collective voice for English National Parks to coordinate interaction with Government, develop policy positions and work with other agencies. Raises national and international profile of National Parks family.	Ongoing	BA contribution is £21,300 in 2019/20	None

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
NATIONAL PARKS PARTNERSHIP **Purpose**: Limited Liability Partnership (LLP) set up to pursue engagement of the UK National Parks family with the corporate sector **Partners:** The 14 National Park Authorities and the Broads Authority. **BA lead officer**: Chief Executive	Brings in additional funding, corporate support and raised profile to Broads as member of National Parks Family	Ongoing	BA contribution is £10,000 in 2019/20	None
NATIONAL PARKS UK **Purpose**: To deliver training and development and coordinate National Parks branding and corporate sponsorship **Partners**: The 14 UK National Park Authorities (9 in England, 3 in Wales and 2 in Scotland) and the Broads Authority **BA lead officer**: Chief Executive	This is currently a Company Limited by Guarentee providing a vehicle for collaboration with the UK's National Park Authorities. The intention is to wind up the company and replace it with more distributed arrangements, such as that for communications	Ongoing	Present structure as a company limited by guarantee is under review	Winding up the Company

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
NATIONAL PARKS UK Communication Team **Purpose**: National promotion and branding of all 15 UK National Parks **Partners**: The UK National Park Authorites, National Park Partnerships and the Broads Authority **BA lead officer**: Head of Communications	Purpose of the partnership is to raise the profile of national parks with the public through a jointly funded Communications Team based with the Broads Authority	Until 2022/23	Funding from 15 National Parks and from National Parks Partnerships. BA contribution in 2019/20 is £10,108. This replaces the NPUK subscription. BA employs two members of staff.	Strategy and Action Plan to be presented to the UK Chairs on 27th November
RIVER WENSUM STRATEGY PARTNERSHIP **Purpose**: To promote the regeneration and management of the River Wensum in Norwich **Partners**: Norwich City Council, Norfolk County Council, Environment Agency, Norwich HEART, Norwich Society, BA **BA lead officer**: Director of Strategic Services	Coordinated management of River Wensum. Opens up opportunities for funding. Supports partnership working on cross-party issues such as access and mooring, anti-social behaviour and abandoned vessels.	Strategy adopted by BA in July 2018. Action plan to end 2022. Delivery board to be set up by end 2019.	Project delivery underway. Further funding will be needed for future activity. Anticipated that significant part of any project cost will be raised from external funding applications or CIL.	Work with Norwich City Council and other partners to deliver the Strategy

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
WATER RESOURCES EAST (WRE) **Purpose**: To safeguard a sustainable supply of water for the East of England, resilient to future challenges and enabling the area's communities, environment and economy to reach their full potential. **Partners**: Anglian Water, Essex &Suffolk Water, Cambridge Water Company, Severn Trent Water, Affinity Water, County Councils, NFU. Other organisations may join in. **BA lead officer**: Director of Strategic Services	WRE's mission is "To work in partnership to safeguard a sustainable supply of water for the East of England, resilient to future challenges and enabling the area's communities, environment and economy to reach their full potential." It is a Company Limited by Guarantee pioneering a collaborative approach to water resources planning.	BA agreed to join WRE for 1 year from Sept 2019, with review to decide future arrangement	BA contribution is £15,000 for one year	Review BA's participation in WRE (Sept 2020)
WHITLINGHAM COUNTRY PARK (ending) **Purpose**: To secure the effective management of Whitlingham Country Park including the development of policies and provision of visitor services on site. **Partners**: Whitlingham Charitable Trust (WCT), BA **BA lead officer**: Director of Operations. BA Chief Executive is member of WCT and BA has up to four members on Board of Trustees.	Whitlingham Country Park is a gateway to the Broads and helps raise the profile of the Broads with the public, particularly people living in Norwich.	Subject to rolling 3-year Service Level Agreement. SLA ends on 31 March 2020 and will not be renewed.	WCT responsible for reimbursing costs of managing Park, incl. BA employee costs (principally Rangers). BA responsible for running costs of visitor centre and cafe.	Negotiate end of contract March 2020. Redeploy BA staff and services.

Name, purpose, partners and BA lead officer	Benefits of partnership to BA	Duration of partnership	Financial arrangements	Actions for partnership
TESCO PARTNERSHIP (ended) Purpose: To support water sensitive farming partnership Partners: BA, Tesco plc, input by NFU and Natural England BA lead officer: Broadland Catchment Partnership Officer	Provides scope for education and intervention to reduce impact of nutrients entering Broads watercourse	One-year agreement to January 2018	BA received funding from Tesco to cover all costs of project. In return, BA designated a Catchment Officer.	n/a
TRINITIES PARTNERSHIP (ended) Purpose: To safeguard and enhance the Trinity Broads for wildlife and people through the delivery of improved water quality, biodiversity and public access. Partners: Essex & Suffolk Water (lead), BA, Environment Agency, Natural England, Norfolk Wildlife Trust BA lead officer: Environment Policy Adviser	Supports comprehensive and coordinated approach to managing specific area of the Broads	5 years in line with Trinity Broads Mgt Plan (not subject to formal written agreement)	Primarily financed by Essex & Suffolk Water with additional funding discretionary for all other partners, including BA.	n/a

Register updated: October 2019
Contact officer: Head of Governance

Audit and Risk Committee

19 November 2019
Agenda item number 13

External audit

Report by Chief Financial Officer

Summary

This report appends The Local Government Audit Committee Briefing by Ernst & Young

Recommendation

To note the briefing, including the key questions for Audit Committees as set out on page 7.

1. Briefing key issues

1.1. This briefing is presented to Members for information.

1.2. The items of relevance to the Broads Authority are:

- Spending Review and Tax Reform (page 2);
- NAO consultation on the Code of Audit Practice (page 4);
- PSAA record rise in delayed audit opinions (page 5); and
- Independent Audit Quality Review (page 6).

Author: Emma Krelle

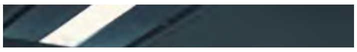
Date of report: 31 October 2019

Appendix 1 – Ernst & Young Local Government Audit Committee Briefing (September 2019)

Local Government Audit Committee Briefing

Quarter 3, September 2019

Building a better working world



Contents at a glance

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.

Our national Government and Public Sector (GPS) team have produced this briefing using our public sector knowledge, and EY's wider expertise across UK and international business.

This briefing brings together not only technical issues relevant to the Local Government sector but also wider matters of potential interest to you and your organisation.

You can find out more about any of the articles featured by following the links 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

Spending Review and Tax Reform

A local government think-tank, Local Government Information Unit, has warned the new prime minister has 100 days to save local government finance. Currently local authorities are facing a financial cliff edge because funding for local government beyond 31 March 2020 has not been finalised by central Government. This has hindered the ability of local authorities to effectively budget for the 2020/21 financial year. This may result in decisions being made based on a worst-case scenario such as redundancies, reducing services or selling valuable public assets. The research conducted by the think-tank was based on evidence provided by 254 senior local government figures, and its recommendation are that the new prime minister provides a one-year emergency settlement to enable local authorities to definitively plan for future years.

On the 8 August 2019, the new Chancellor of the Exchequer announced a one-year Spending Review of government departments. Usually Spending Reviews cover three year periods; however, the Chancellor stated that this one-year round will 'clear the ground' for government departments to focus on Brexit. The County Council's Network chairman-elect has called for the spending review to include emergency injection of resources to help councils plug the funding gap across the sector. The Local Government Association (LGA) has calculated the scale of the funding gap for the 2020/21 financial year to be £5bn, rising to £8bn by 2025.

The chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA) commented that the Spending Review period of one year was too short to provide the certainty required for medium term financial planning that is critically required to alleviate the fiscal pressures faced by the sector. Reform of the Business Rates and Council Tax systems are seen as critical to achieving long term financial sustainability with the sector. Research conducted by the Institute for Public Policy reported that today's Council Tax resembles a poll tax that is regressive and inefficient. London Assembly member, Tom Copley, commented that the council tax system is 'out of control' to the extent that it is unfit for purpose. The research concluded that an official commission should be established to review and encourage a rethink of the council tax system.

In light of the Spending Review it is now thought unlikely that the fair funding review will be introduced in time to be implemented for the 2020/21 financial year.

Children's Services and Social Care Pressures

Analysis conducted by the LGA has shown that local authorities overspent on children's social care during the 2018/19 financial year by £800m. This is despite an increase in the children's social care budgets by 6.8% compared to the prior year. The LGA commented that the demand and cost for child protection services is increasing at a faster rate than budgets and funding allow. In order to keep children at risk safe, many councils have been forced to find savings from non-statutory budgets, which include valuable early intervention and prevention support which ultimately stops families and children from reaching the crisis point and requiring child care protection services.

The government has yet to confirm whether grants previously given to local authorities to assist in funding social care will continue in 2020/21. Three temporary grants worth £2.4bn of social care funding, including the Better Care Fund grant, are due to finish at the end of the 2019/20 financial year. These temporary grants have allowed local authorities to bolster care services and help address pressures felt by the NHS. The Council County Network (CCN) has asked the Chancellor to confirm urgently whether this funding will continue as part of the Spending Review that is due to take place. Until confirmed, local authorities may need to plan to decommission services that are directly funded by these grants in order to present a balanced budget.

It is therefore unsurprising that, according to CIPFA's CFO Confidence Survey, 70% of respondents said they were either slightly less or much less confident in their Authority's financial position for 2020/21 compared to 2018/19. A similar percentage of respondents also said that they were less confident in their ability to deliver the same level of public services compared to 2018/19. The survey showed that the greatest pressure for top tier authorities remained children's social care, with adults' social care second place. For district authorities the greatest pressures were housing, environmental services and cultural services. CIPFA has stated that it wants to spend the next 12 months exploring the issues of long-term sustainable funding solutions, and to consider how the local government sector can come together to address the challenges of effective services delivery.

Value of PWLB loans rises by 75%

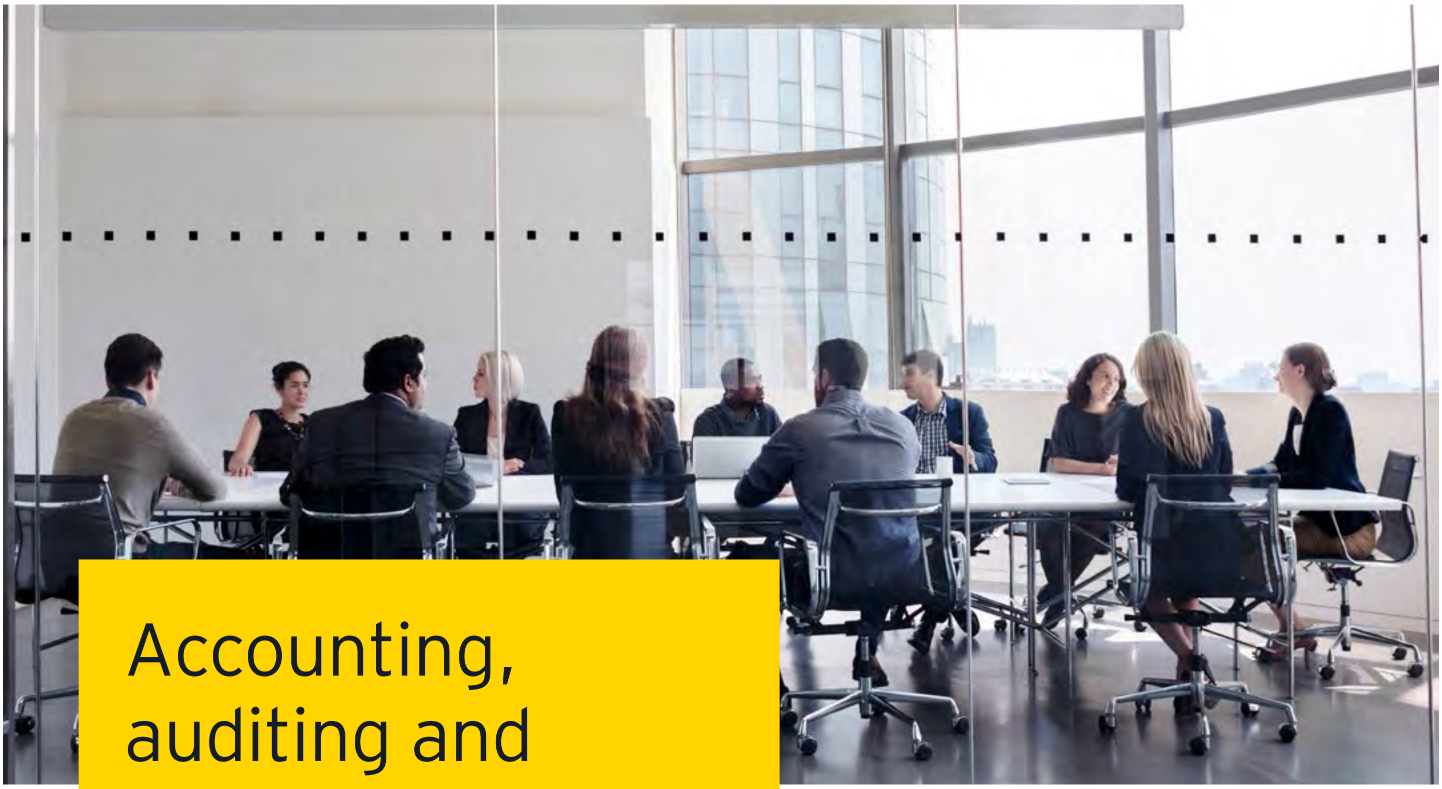
The Public Works Loan Board (PWLB) is responsible for lending money to local authorities for capital projects at low rates of interest. According to the PWLB's annual report, the value of loans to local authorities has increased by 75% from £5.2bn at 31 March 2018 to £9.1bn at 31 March 2019. The increase was driven not only by the increased value borrowed, but also by an increase in the number of loans.

Over the last seven years the value of these loans has increased by 84% (£3.2bn 2012/13 to £9.1bn 2018/19). This amplified reliance on PWLB compares to central government funding falling by almost 50% since 2010/11.

PWLB borrowing by local authorities

Chart: Dbrady; Source: PWLB annual accounts; Get the data; Created with Datawrapper

Another contributing factor to the increase in PWLB loans is the redemption of Lender Option Borrower Option (LOBO) loans. LOBO loans were popular following the financial crisis and meant that local authorities, including fire and rescue authorities, could take out loans with even lower rates of interest than the PWLB offered. However, lenders could alter the interest rates at certain points in the future. Local authorities, including fire and rescue authorities, refused to pay the higher interest rates and therefore had to pay the loan back in full. These were then replaced with PWLB loans.



Accounting, auditing and governance

NAO consultation on the Code of Audit Practice: Phase Two

Under the 2014 Local Audit and Accountability Act (the Act), a review of the Code of Audit Practice (the Code) is required every five years. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. This encompasses how audits of a local body's financial statements are conducted, including reporting, and also how assurance is gained on a local body's value for money arrangements. The current form of the Code came into force on 1 April 2015, so a revised Code will be required to take affect from 1 April 2020 for the audit of a local body's financial statements for 2020/21.

The National Audit Office (NAO) is responsible for the Code of Audit Practice and has launched Phase Two of its consultation. The key proposed key changes relate to value for money and include:

- Enhanced auditor reports on the financial statements. The Code includes the potential for audit reports to include more information on risks and key audit matters, mirroring the audit reports for NHS Foundation Trusts and large corporate entities.
- Separation of reporting on the audit of the financial statements and value for money and removing the conclusion on value for money arrangements. The Code proposes that the auditor will issue the audit report on the financial statements and then by no later than 30 September issue a separate Annual Auditors Report which will include a commentary on value for money.
- Revised Value for Money criteria, to cover:
  - Financial Sustainability – how the local authority plans and manages its resources to ensure it can deliver its services
  - Governance – how the local authority ensures that it makes informed decisions and manages its risks and finances
  - Improving economy, efficiency and effectiveness – how the local authority uses cost and performance information data to improve service delivery
- Mandatory procedures for the auditor to carry out an initial review of value for money arrangements. These procedures will enable the auditor to identify any risk based work and also provide a commentary at any emerging issues at a local body.

- Revised Value for Money reporting, including the timescales of reporting. Where a significant weakness in VFM arrangements are identified, the revised Code will require auditors to issue a recommendation to the body, setting out judgements made and evidence to support those judgements.
- Expectations on the speed auditors take on responding to formal objections to a local authority's accounts.

The consultation recognises that the proposed changes will likely alter the work needed to be done by auditors, the resources and skills auditors need to deploy and therefore possibly the fees required to fund the work.

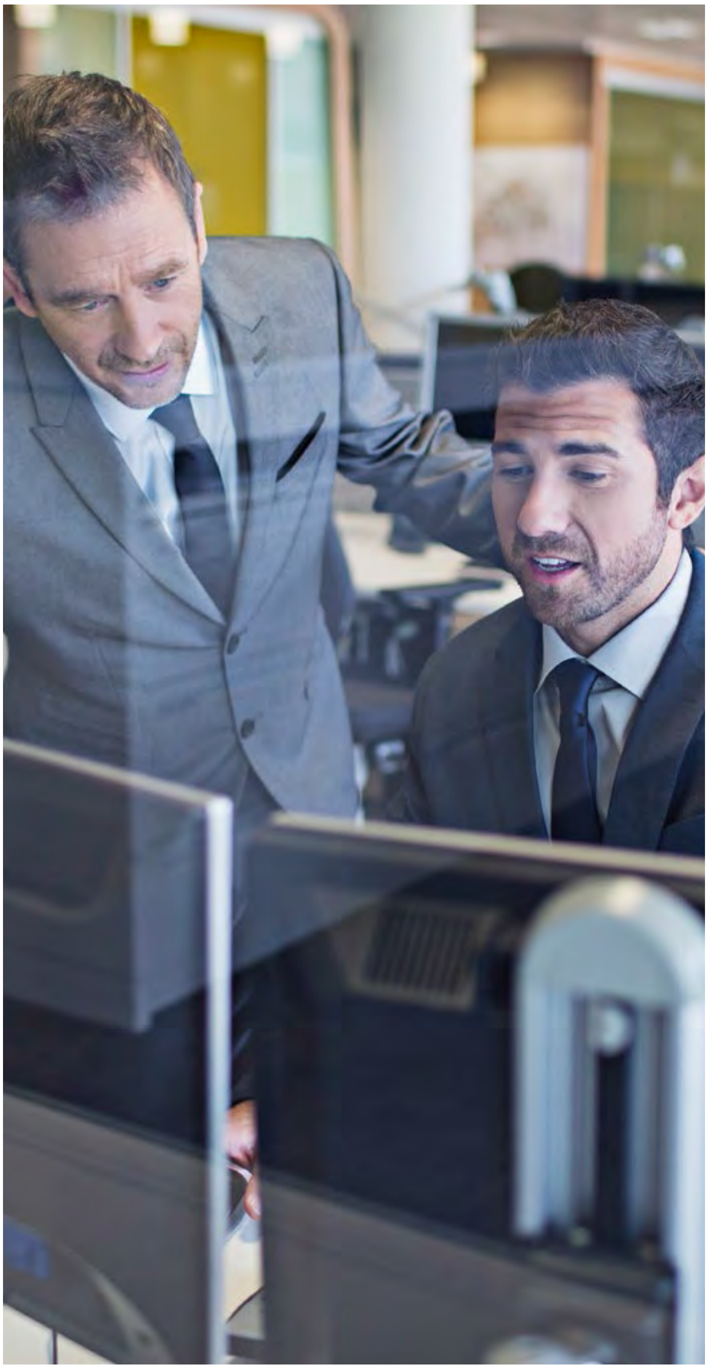
External auditors provide independent assurance that local bodies are properly accounting for spending and that adequate value for money arrangements are in place to manage their affairs. This review of the Code is a valuable opportunity to shape the future of local authority audit. This second phase of the NAO's consultation of the Code is open until 22 November 2019. For more information on how to contribute to the NAO's Code consultation refer to the NAO website.

EY will be contributing to this consultation and playing its part to help shape the future sustainability of public sector audit. We believe the NAO has a critical role to lead and shape the future of local audit and through that role help to secure the future sustainability of the public audit profession. The Code and supporting auditor guidance notes present a significant opportunity to reform local public audit. We also recognise that the consultation comes at a time of significant scrutiny of the UK audit market and profession. We believe it is crucial that the Code is closely aligned with the outcome from various reviews.

PSAA records rise in delayed audit opinions

Public Sector Audit Appointments Limited (PSAA) has released information that 40% of local authorities under its remit did not receive audit opinions on their 2018/19 accounts by 31 July. This is an increase of 27% in comparison to the prior year.

PSAA acknowledge a number of factors have led to the deterioration in performance, posing challenges for both auditors and local authorities across the country. They have called for the issues to be worked through and solutions implemented which will ensure a sustainable supply of audit services in the long term.



Regulation News

Independent Audit Quality Review

On 10 July 2019, at the CIPFA annual conference, the Communities Secretary, Rt Hon James Brokenshire MP, announced the launch of an independent review of the quality of local authority audits. This review will examine the effectiveness of the local authority financial reporting and audit regime, including whether auditors are using their reporting powers correctly and if local authorities are appropriately responding to recommendations raised. The review will also look at the expectation gap between what taxpayers believe an audit delivers and what is actually delivered.

The Communities Secretary stated "A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but also service delivery and, ultimately, our faith in local democracy."

Sir Tony Redmond, former President of CIPFA, will lead the review. Representatives from EY will be contributing to the review in October. We expect initial recommendations to the Communities Secretary in December 2019, with a final report published in March 2020.

The review of external audit and financial reporting follows the implementation of the Local Audit and Accountability Act 2014, which abolished the Audit Commission and put in place a new localised audit regime in order to improve transparency. This review will meet the Ministry of Housing, Communities and Local Government's commitment to undertake a post implementation review of the revised audit regime framework.

Key Questions for the Audit Committee

Spending Review and Tax Reform

What is the size of your authority's funding gap in the medium term? What processes does your authority have in place to address its funding gap?

As members how do you provide effective oversight and governance of these processes?

Children's Services and Social Care Pressures

What is your authority's year to date performance of children's social care and adult social care services against budget? How is this performance being addressed and what are the implications for next year's budget?

If funding of the Better Car Fund grant (and related grants) is not renewed for 2020-21 what impact will this have on services for your authority?

NAO consultation on the Code of Audit Practice

Will your authority contribute to Phase Two of the consultation conducted by the NAO?

PSAA records rise in delayed audit opinions

Did your authority make the publication deadline?

Find out more

Spending Review and Tax Reform

https://www.publicfinance.co.uk/news/2019/07/new-pm-given-stark-warning-over-future-local-councils

https://www.publicfinance.co.uk/news/2019/08/councils-call-spending-review-plug-their-funding-black-hole

https://www.publicfinance.co.uk/news/2019/06/council-tax-must-be-reformed

Children's Services and Social Care Pressures

https://www.publicfinance.co.uk/news/2019/08/english-councils-overspend-nearly-ps800m-childrens-services

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/local-government-chief-finance-officers-losing-confidence-in-ability-to-deliver-services

https://www.publicfinance.co.uk/news/2019/08/umbrella-groups-make-spending-round-plea-social-care

Value of PWLB loans rises by 75%

https://www.publicfinance.co.uk/news/2019/07/pwlb-loans-shoot-751

NAO consultation on the Code of Audit Practice

https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/03/Local-audit-in-England-Code-of-Audit-Practice-Consultation.pdf

PSAA records rise in delayed audit opinions

https://www.publicfinance.co.uk/news/2019/08/psaa-records-dramatic-rise-delayed-audit-opinions

https://www.publicfinance.co.uk/news/2019/07/brokenshire-reveals-independent-probe-local-government-audit

Independent Audit Quality Review

https://www.gov.uk/government/news/audit-quality-of-councils-will-face-examination-in-new-independent-review

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ED None

EY-000105308.indd (UK) 09/19. Artwork by Creative Services Group London.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com/uk

Audit and Risk Committee

19 November 2019
Agenda item number 14

Implementation of internal audit recommendations and summary of progress

Report by Chief Financial Officer

Summary

This report updates members on the progress in implementing Internal Audit recommendations arising out of audits carried out during 2017/18, 2018/19 and 2019/20.

Recommendation

That the report be noted.

Contents

1. Introduction

1.1. It has previously been agreed that this Committee will receive regular updates of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of outstanding work.

1.2. The Appendices 1 to 3 provides details of the audits carried out in 2017/18, 2018/19 and 2019/20, in particular:

- Recommendations not yet implemented;
- Recommendations not implemented at the time of the last meeting which 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 July the outstanding recommendation relating to the 2017/18 Port Marine Safety Code audit has now been completed. Four of the recommendations relating to Corporate Governance and Risk Management have been covered under agenda item number 7. Four of the recommendations relating to the Disaster Recovery Audit have been completed. At the time of writing this report I have been unable to provide updates on the outstanding recommendations regarding the Branding Audit. A verbal update will be provided at the meeting.

3. Internal Audit Programme 2019/20

3.1. The first audit from the 2019/20 programme has now been completed, with further details below in section 4. The second audit for Procurement is scheduled to start on 5 November 2019. The third audit - Key Controls - is scheduled to start on 25 November 2019. The outcome from these audits will be reported to the March 2020 meeting. The final audit on Corporate Governance is due to take place during the last quarter of the financial year.

4. External Funding – Water, Mills and Marshes

4.1. The objective of this audit was to review the adequacy, effectiveness and efficiency of the systems and controls in place over the National Heritage Lottery Fund (NHLF) External Funding process. This resulted in a “reasonable” audit opinion with three “important” and three “needs attention” recommendations being raised. Details of these can be found in Appendix 3.

4.2. Good practice was noted relating to sound controls that are in place and operating consistently. Those relating to Governance are:

- 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.
- An overall project plan is in place for the development phase for 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.

4.3. Those relating to Performance Measures are:

- 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.

4.4. Those relating to Financial Management are:

- 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.

4.5. Four of the six recommendations have been completed with the remaining on target for completion.

Author: Emma Krelle

Date of report: 24 October 2019

Appendix 1 – Summary of Actions and Responses to Internal Audit Recommendations 2017/18.

Appendix 2 - Summary of Actions and Responses to Internal Audit Recommendations 2018/19.

Appendix 3 - Summary of Actions and Responses to Internal Audit Recommendations 2019/20.

Appendix 1 – Summary of actions and responses to internal audit recommendation 2017/18

Table 1

Port Marine Safety Code: September 2017

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
7. Governance Briefings given to the Navigation Committee and BSMG on the risk assessment process, hazard identification and assessment and the ALARP principle are documented and recorded in the minutes. Briefing packs in relation to the risk assessment process, hazard identification and assessment and the ALARP principle (which are provided to the stakeholder group involved in the review of hazards) should also be made available to all new appointees to the Navigation Committee and the BSMG. Consideration is also given to providing these to all members of the Navigation Committee and the BSMG. A record of all training provides confirmation that it has taken place and reduces the risk that misinformed decisions are made resulting in inadequate port marine safety.	Needs Attention	Head of Safety Management, previously included the Solicitor and Monitoring Officer.	Agreed. All members of Boat Safety Management Group, the Stakeholder Hazard Review Group, the Navigation Committee and the Broads Authority receive training on risk assessment and ALARP principles before dealing with the risk assessments process. This formal training will be recorded in the minutes of each of the groups/ committees at the next opportunity when hazards are reviewed/ assessed scheduled for Feb 2019 Any new members to the group will be trained in this regard prior to any risk review or assessment as part of the regular refresher training being delivered each time the risk review process is entered into. Update: Briefing pack now in preparation for the forthcoming hazard review in February 2019. Broads Authority on 26/07/19 is the final step in this process. - Completed	Originally by 28/02/19 Updated to 26/07/19

Appendix 2 – Summary of actions and responses to internal audit recommendations 2018/19

Table 2

Corporate Governance and Risk Management February 2019

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1. Risk Management The Risk Management Policy is reviewed and updated as required to reflect the current governance arrangements and responsibilities for risk, including those assigned to the Audit and Risk Committee (ARC) and the frequency of the reporting of risks to the ARC. This should include an explanation of what is classed as an operational risk as opposed to a strategic risk and how service risks should be managed and escalated to strategic level, if required. It should also define the risk appetite/tolerance level. The policy should be version controlled, approved by the Full Broads Authority and reported to the ARC. Following approval, the policy should be disseminated to all staff and placed on the authority's intranet. An up to date risk management policy mitigates the risk that out of date processes are being used leading to incorrect decision making and lack of corporate governance.	Important	Management Team, previously Solicitor & Monitoring Officer.	The risk management policy will be reviewed and updated to reflect the correct committee, lead officer and risk appetite (including colour coding). The updated policy will be taken to Audit and Risk for review prior to Broads Authority approval. Update: Following the departure of the Solicitor & Monitoring Officer the Management Team has agreed to take on responsibility for the policy and risk register. This work has been scheduled for over the summer and will be reported to the November committee. Please see agenda item number 11. Following this committee it will be presented to the Broads Authority on 22/11/19.	Originally agreed by 26/07/19 Updated to 29/11/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
2. Risk Management An exercise is undertaken to review the Strategic Risk Register (SRR) to identify which risks are strategic, i.e., risks to the achievement of the strategic objectives. This should conclude that the remaining risks are at an operational/service level and as such, should be managed at this level. The resulting SRR should score all risks which have been identified and include a column which states which strategic objective they relate to. In addition, the SRR should make it clear which risks are within and outside of the risk appetite by using colour coding. Clearly distinguishing between operational/service level risks and strategic risks helps to ensure that risks are identified on both a service and strategic level allowing for proper understanding of the authorities risk profile and allows for the appropriate prioritisation of mitigation actions.	Important	Management Team, previously Solicitor & Monitoring Officer.	Review to be undertaken with Management Forum to distinguish between operational & strategic risk and how they link with the Strategic Priorities in conjunction with the risk policy above. Update: Following the departure of the Solicitor & Monitoring Officer the Management Team has agreed to take on responsibility for the policy and risk register. This work has been scheduled for over the summer and will be reported to November committee. Please see agenda item number 11.	Originally agreed by 10/06/19 Updated to 19/11/19
3. Risk Management A review and update of the RM page on the authority's intranet is undertaken incorporating any revised documents such as the RM policy and including relevant	Needs Attention	Head of Safety Management, previously	Following committee approval of the revised policy and register the intranet page will be refreshed and communicated to all staff.	Originally agreed by 16/08/19 Updated

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
committee reports. This should be re-launched with staff including ascertaining feedback on the RM process and identifying any training needs at all levels across the authority. The intranet should provide clarification of what the risk appetite is and how risks, which are outside of the risk appetite, are managed. Staff being adequately informed and trained in respect of risk ensures that that correct processes are followed leading to informed decisions being made that assist in the achievement of objectives.		Solicitor & Monitoring Officer.	Update: As the risk management policy and strategic risk register have been delayed this has impacted the refresh of the intranet page. This will be done after the November committee.	to 29/11/19
4. Risk Management A standard risk implications section to be introduced on the committee report template to allow for a fuller explanation of the risks. Guidance/criteria to be produced to enable authors to sufficiently assess if there are any risk implications. Guidance to include reference to the SRR and any operational/service risks which have been identified; and the risk management policy. A fuller explanation of risks within reports will encourage a risk aware culture within the authority, and a consistent approach is applied in identifying risk implications. Referral to corporate risk documents should alert authors to risks which they may not have been aware of and	Needs Attention	Head of Governance, previously Solicitor & Monitoring Officer.	Agreed and partially completed. Template has been updated and is available on the intranet and the guidance will be completed by July 2019. Update: Committee templates are currently being redesigned following the accessibility guidelines. New templates are being rolled out over the various committees.	Originally agreed by 31/07/19 Updated to 31/01/20

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
reduce the risk that objectives are not achieved.				
5. Risk Management The 'Review of the Strategic Risk Register (SRR) reports to the Audit and Risk Committee to contain an explanation of risks that have changed from the previous SRR, including risks which have had their score reduced; risks which have been reduced to the risk appetite; and change of risk description (i.e. the GDPR risk). This should include explanation as to why certain risk scores have not lowered from initial risk to revised risk score despite current mitigating actions and additional actions being put in place. Providing an explanation for key changes within the committee reports mitigates the risk that the committee does not receive a full picture of the status of risks and if they are being mitigated as expected.	Needs Attention	Directorates, previously Solicitor & Monitoring Officer.	Agreed. Audit & Risk report to provide explanation of movements at next review. Update: Once the new risk register has been agreed regular reports will provide details of changes/movements since the last meeting. Please see agenda item number 11	Originally agreed by 23/07/19 Updated to 19/11/19
6. Risk Management A scoring criteria is defined for low, high and medium risks, in relation to severity/impact, for categories such as financial, reputation and service provision. A scoring criteria is also defined for low, high and	Needs Attention	Management Team, previously Solicitor & Monitoring	Agreed. Scoring criteria will be incorporated into the risk policy. Update: a new 5x5 risk matrix and guidance has been developed by Management Team. This will be	Originally agreed by 10/06/19 Updated to

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
medium risks in relation to likelihood, i.e. a high likelihood applies to a risk likely to happen more than once per year and a low risk is only likely to happen in 10–15 years' time.		Officer.	incorporated into the policy currently under review. Please see agenda item number 11.	19/11/19

Table 3
Disaster Recovery (DR) February 2019

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1. Alignment with Business Continuity Plans 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.	Important	Head of IT & Collector of Tolls	Agreed 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 1	Originally agreed by 31/07/19 Update to 31/12/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
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.				
2. Backup and Recovery Capabilities The Authority to look at options for enhancing the existing data replication service such that it covers priority services such as Finance and Tolls. Increased replication between Yare House and the Dockyard will help to ensure timely recoveries of priority services following an incident, including any incidents that render Yare House inaccessible and which would currently require a recovery from tape. Where a tape recovery is required, there is an increased risk that this would result in up to 48 hours of data needing to be re-input as part of the recovery process, given that it takes an average of 24 hours to complete a tape backup at present.	Needs Attention	Head of IT & Collector of Tolls	Agreed Completed. Replication of Finance and Toll data is in place and working satisfactorily. Existing data lines, whilst providing reasonable capacity, have proved unreliable for replicating our larger servers. The Dockyard is served by overhead copper lines along the full extent of Griffin Lane which limits the opportunity for high speed data replication. A large capacity data disk is to be used to transfer large amounts of data in preference to replication.	By 31/07/19
3. DR Testing The authority to ensure that all DR tests are formally documented in test reports that are communicated to relevant senior management and which are used as a basis for updating DR plans with lessons learned using	Needs Attention	Head of IT &Collector of Tolls	Agreed Completed. A template form for recording and documenting DR tests has been implemented.	By 31/07/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
appropriate change control processes. The formal documentation of all DR tests into test reports will help to demonstrate that the DR facilities and processes adequately support the Authority's priority services following an incident and that any lessons learned are taken account of as updates to the processes concerned. Where DR tests are not formally documented into test reports, there is an increased risk that the DR facilities and processes cannot be shown to be adequate and that any weaknesses in the DR facilities and processes are not detected and resolved in a timely manner.				
4. DR Development for New Systems The Authority to ensure that relevant Project Management processes are updated to include work to understand what the DR support requirements will be for any new or changed infrastructure. The inclusion of work to understand the potential DR support requirements of any new or changed systems will help to ensure that any changes to the Authority's systems are adequately support as required by the Business. Where DR requirements are not taken account of	Needs Attention	Head of IT & Collector of Tolls	Agreed Completed. Project Management documentation updated.	By 31/07/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
adequately in project workflows, there is an increased risk that the DR support requirements that may result from the changed infrastructure are not supported adequately following an incident.				
5. Dockyard Physical Access Controls The Authority to ensure that the server rack that contains the DR infrastructure at the Dockyard is moved to a more appropriate location within the DR facility as soon as practically possible. Moving the server rack to a more appropriate location will help to ensure the security of the rack and the environmental conditions within the room. If the server rack is not moved to a more appropriate position within the DR facility, there is an increased risk of security vulnerabilities caused by the removal of the side panels which has been done to facilitate the operation of the Air Conditioning unit.	Needs Attention	Head of IT & Collector of Tolls	Agreed Completed. Cabinet repositioned and side panels in place.	By 31/07/19

Table 4

Branding April 2019

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1. Broads Authority branding - strategies, guidelines / procedures The communications work plan be updated to include the finalisation of the local Broads National Park Branding Strategy. 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. 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.	Needs Attention	Head of Communications	Agreed. The work plan for 2019/20 is currently being populated and key milestones as recommended will be included within it. Partially completed: The work plan is now complete for 2019/20 with the timelines included. This has been incorporated into the Directorate work plan.	Originally by 31/05/19 Updated to 30/09/19
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	Needs Attention	Head of Communications	Agreed. Given that the National Branding guidelines which will inform the strategy are awaiting approval by the 15 national parks Chief Executives and relevant Chairs it is anticipated	By 31/10/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
currently have. This should make the branding area more easily to locate within the policy and helps mitigate the risk that responsibilities for branding are unclear.			that this work will be completed by the Autumn of 2019	
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. 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. Reference should be made to the Broads National Park Brand Standards and the Broad's National Park branding strategy where applicable. 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.	Needs Attention	Head of Communications	Agreed. The guidance will be produced in conjunction with the strategy, guidelines and procedures.	By 31/10/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
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.				
5. Broads Authority branding - use of the Broads Authority logo 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. 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. Staff being adequately informed and trained in respect of branding mitigates the risk that incorrect processes are followed leading to inconsistent and/or incorrect branding being applied that affects the achievement of branding objectives.	Needs Attention	Head of Communications	Agreed. The intranet content will be produced in conjunction with the strategy, guidelines and procedures	By 31/10/19

Appendix 3 – Summary of actions and responses to internal audit recommendations 2019/20

Table 5

External Funding – Water, Mills and Marshes

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.	By 31/12/19
2. Financial Management Duplicate amount of £835 to be subtracted from the next claim submission and finance notified of this error. Rectifying the claim submission error ensures the correct expenditure items are claimed for and mitigates the risk of grant funding being withheld.	Important	Water, Mills and Marshes Programme Manager	Agreed Completed	By 30/11/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
3. Financial Management An independent accuracy check of actual expenditure items, to source, is undertaken prior to each quarterly claim submission. This should include a check against the previous claim to ensure no items are duplicated in the current claim. Independent checking provides assurance that the figures are entered correctly based on source documentation mitigating the risk of human error and potential duplication.	Important	Chief Financial Officer	Agreed, the independent accuracy check to be undertaken by the Chief Finance Officer Completed.	By 30/11/19
4. Governance To update the project risk registers to clearly define the current risk score and include a target risk score. The risk appetite should also be explained, i.e. anything with a risk score of 6 and above. The current risk score shows the latest position with regard to the risk level, and adding this would also highlight those risks which require additional mitigation. The target risk score shows which risks need mitigating further to achieve this and the risk appetite explains what level of risk the project is willing to accept. This would reduce the chances of risks being misunderstood or not properly mitigated in line with risk appetite.	Needs Attention	Water, Mills and Marshes Programme Manager	Agreed Completed	By 30/11/19

Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
5. Governance Declaration of interests are minuted, including incidences where there are none. Declaring interests is a key control in corporate governance which reduces the risk that conflicts of interests are not sufficiently mitigated leading to a poor standard of integrity and reputation and potential fraud.	Needs Attention	Water, Mills and Marshes Programme Manager	Agreed Completed	By 31/10/19
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, timetable depending on future procurement	By 31/03/20