

# KING'S LYNN IDB

## Statement of Accounts: Year Ended 31 March 2022

### Exercise of Public Rights

Local Audit and Accountability Act 2014  
Accounts & Audit Regulations 2015  
Accounts & Audit (Coronavirus) (Amendment) Regulations 2021

1. NOTICE is given that from 29 July 2022 to 09 September 2022 the accounts of King's Lynn Internal Drainage Board, for the year ended 31 March 2022, will be available on the website for inspection.

2. The IDB's accounts are subject to external audit by Ciaran McLaughlin, for and on behalf of Grant Thornton UK LLP, 110 Bishopsgate, London EC2A 1AG

3. During the period 29 July 2022 to 09 September 2022 members of the public and local government electors have certain rights in the audit process:

a. Any person may inspect the accounts of the IDB for the year ended 31 March 2022 and certain related documents;

b. A local government elector or their representative may ask the local auditor questions about the accounts;

c. A local government elector or their representative, may make an objection to the IDB's accounts which concerns a matter in respect of which the auditor could make a public interest report, and/or apply to the court for a declaration that an item in the accounts is contrary to law (under section 27 of the Local Audit and Accountability Act 2014). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address given above and copied to the IDB.

4. Owing to the circumstances of the pandemic and social distancing impacting office access, persons exercising the rights set out above requiring contact with the King's Lynn IDB are invited to email in the first instance via [sallyanne@wlma.org.uk](mailto:sallyanne@wlma.org.uk)

Sallyanne Jeffrey  
Finance & Rating Manager/Responsible Financial Officer  
King's Lynn Internal Drainage Board  
Pierpoint House  
28 Horsley's Fields  
Kings Lynn, Norfolk  
PE30 5DD

29 July 2022



**KING'S LYNN**

**INTERNAL DRAINAGE BOARD**



**King's Lynn**  
**Drainage Board**

**DRAFT  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDING  
31ST MARCH 2022**

Pierpoint House  
28 Horsley's Fields  
Kings Lynn  
Norfolk  
PE30 5DD

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## **Narrative Statement**

### **Annual Report**

#### **About the King's Lynn Internal Drainage Board**

The King's Lynn IDB is an independent body created under Land Drainage Statutes responsible for flood defence, drainage and water level management works, other than on main rivers, in the King's Lynn IDB area. Board Members are either elected by and represent the occupiers of land in the area, or are appointed by Kings Lynn and West Norfolk Borough Council and Fenland District Council.

The Board secures income mainly from drainage levies on farmers and other occupiers, and from special levies on local authorities. The Board also pays levies to the Environment Agency to fund works on main rivers and sea defences that protect the drainage district. In 2017/18 the Board took out a Public Works Loan for £10million, to assist funding two large capital works projects for the Wolferton and Islington Pumping Stations to proceed. These two projects have also been partially funded by the Environment Agency in the form of grant, on the provision that certain conditions and obligations are met by Kings Lynn IDB.

The Board consists of 10 elected members and 11 nominated members.

This document is the Statement of Accounts of Kings Lynn IDB for the financial year ended 31st March 2022. The accounts consist of:

#### **The Annual Governance Statement**

This statement acknowledges the Board's responsibilities in terms of preparing the financial statements and ensuring that there is a sound system of internal control.

#### **The Statement of Responsibilities**

This statement identifies the officer(s) who are responsible for the proper administration of the Board's financial affairs.

#### **The Income and Expenditure Account**

This statement shows the gross expenditure, income and net expenditure on the major activities for which the Board is responsible and compares that cost with the finance provided by the local rate payer and others.

#### **The Balance Sheet**

This statement is fundamental to the understanding of the Board's financial position at the year end. It shows the balances and reserves at the Board's disposal, the fixed and net current assets employed in its operation, together with summarised information of the fixed assets held. This statement also includes the assets and liabilities of the Board.

### The Statement of Movement on Reserves

This statement shows the changes in reserves during the reporting period.

### The 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 operation of the authority are funded by way of rate payers, special levies, 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 (ie borrowing) to the authority.

### Summary of Financial Performance

The Board's financial position improved during the year as follows:

1. Surplus: The Board made a surplus of £236,450, compared to an estimated deficit of £1,694,868. This was for a number of reasons, however a net change of £1.99million for expenditure/grant receivable against the two pumping stations is the biggest fluctuation. The change is due to requirements to use accounting policies as determined by moving into a principal authority audit. We would usually recognise the spend as it is incurred and recognise grant income relating to this spend in the same period. The requirements for this year and the next two years will be to capitalise the pumping stations on completion (IAS16/IPSAS28) and recognise the grant income once all of the obligations and conditions imposed by the grant have been met (IAS20/IPSAS23). Both income and expenditure will be recognised in the same financial period once all the relevant criteria have been met. The Board achieved £5,000 less interest on investment than forecast. Interest rates dropped significantly late March 2020 due to the effects of COVID-19, and continued to remain low through the reporting period.
2. Liquidity: Cash surpluses have decreased from £14,199,046 to £8,011,908, as shown in the cash flow statement. This decrease was forecast in 2021/22 due the capital works being undertaken for the Board.
3. Fixed Assets: During the year the Board purchased a Doosan, Spearhead, Herder Grenadier and a Ford Ranger at a total cost of £507,321. The Board disposed of a Doosan, two Spearheads and Ford Ranger with net profit on disposal of £18,152.
4. Pension: The Board's notional pension deficit as administered by Norfolk County Council has decreased from £3,542,000 to £2,891,000 during the year. It is important to note that this balance does not represent the exit cost to the Board of closing down the pension scheme. It is a notional figure calculated by the Fund Actuary based on a number of actuarial assumptions. Both 2020/21 and 2021/22 figures include the McCloud assumption. A full breakdown of these figures and performance is included in Note 34 within the notes to the accounts.

5. Funding: The Boards expenditure is mainly funded by cash from annual levies on ratepayers and local Councils. The Board also holds a number of cash reserves. External funding is sought on Capital Improvement Schemes from the Environment Agency, this varies on the type of scheme but is typically 45% or 100%

6. Revaluations: The Boards pumping stations were last revalued at 31st March 2020. These were not required to be revalued in the financial year to 31st March 2022.

#### Five Year Capital Works Programme

As reported and approved by the Board in January of each year, full details of the 5 year capital works programme (along with the full estimates for income and expenditure of the Board) can be found on the website [www.wlma.org.uk/uploads/KLIDB\\_Rate\\_Estimates\\_2021-22.pdf](http://www.wlma.org.uk/uploads/KLIDB_Rate_Estimates_2021-22.pdf). These estimates underline the importance of having adequate reserves (please see the Executive Summary) and detail the funding sources which includes long term debt, flood defence grant in aid and third party contributions, as set out in the Boards Capital Financing and Reserves Policy.

Reserves are expected to reduce significantly over the next few years because of the delivery of the capital schemes, such as the new Islington and Wolferton pumping stations.

The Board has adequate reserves to deliver these works and also its maintenance programme with a modest increase of 2% in drainage rates and special levies during the period.

## **Statement of Responsibilities for the Statement of Accounts**

### **The Board is required:**

- 1) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Board that officer is the Finance and Rating Manager, who was appointed at the Board Meeting of 15th May 2020. This role was previously carried out by the Chief Executive.
- 2) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 3) Approve the Statement of Accounts.

### **The Finance and Rating Managers responsibilities:**

The Finance and Rating Manager is responsible for the preparation of the Kings Lynn Internal Drainage Board's Statement of Accounts which is required to present a true and fair view of the financial position of the Board at the accounting date, and its Income and Expenditure for the year ended 31st March 2022.

In preparing this Statement of Accounts, the Finance and Rating Manager has:

- 1) selected suitable accounting policies and then applied them consistently;
- 2) made judgements and estimates that were reasonable and prudent;
- 3) prepared the Statement of Accounts in accordance with proper practice as set out in the CIPFA Code of Practice on local authority accounting in the United Kingdom;
- 4) applied the accounting concept of a going concern by assuming the IDB will continue to operate for the foreseeable future.

The Finance and Rating Manager has:

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

### **The Finance and Rating Managers responsibilities:**

I certify that the Statement of Accounts gives a true and fair view of the financial position of Kings Lynn IDB at the reporting date and of its income and expenditure for the year ended 31st March 2022.

Name: Sallyanne Jeffrey  
Designation: Finance and Rating Manager/Responsible Financial Officer  
Date: 29th July 2022

## **Annual Governance Statement**

### **Board's Role**

As the members of the King's Lynn Internal Drainage Board we acknowledge our responsibility for ensuring that there is a sound system of governance, incorporating the system of internal control, including the preparation of the Statement of Accounts.

The Board provides leadership within a framework of prudent and effective controls, which enables risk to be properly assessed and managed. The Board sets the strategic aims, ensures that the necessary financial and human resources are in place to meet its objectives, and reviews management performance. The Board also sets values and standards, and ensures that the obligations to its stakeholders are understood and delivered.

### **Board's Composition**

The Board has a total of 21 members, 10 of which are elected by occupiers of agricultural land who pay Drainage Rates directly to the Board for the services they receive (the elected members), and 11 members are appointed by the constituent Councils to represent the extent of other interests in the Drainage District (the appointed members).

### **Accountability**

The Board is democratically accountable to those that pay for the service in its Drainage District. Consequently all money that we raise to do work in our Drainage District is spent actually doing work that benefits the Drainage District. All Board members are bound by the Members Code of Conduct and should also register their interests before taking office.

### **Elected Members**

The number of elected members is set out in the constitution. The number of elected members as compared to the number of appointed members that each constituent Council is entitled to appoint depends upon the proportion of expenditure that is paid in total by the occupiers of agricultural land, as compared to what is paid by the constituent Councils. Elections for membership of the Board are held every 3 years, so if you are not happy with our performance; either by exercising your vote as a drainage ratepayer or standing for election yourself.

### **Appointed Members**

The number of members that each constituent Council is entitled to appoint is determined by the Board every 3 years, in accordance with Schedule 1, Section 6(1) of the Land Drainage Act 1991. The Councils cannot just appoint anyone: they should appoint persons who have relevant knowledge or experience and have shown capacity in such matters. The Board may not approve the appointment of persons that do not fulfil this legal requirement, so please check out our guidance for Local Authorities when making appointments to IDBs. It is important to note that the appointed members do not represent the Councils themselves. As members of the Board they are duty bound to consider all proposals in the context of what is in the best interest of the Board, which may occasionally be different to what is in the best interest of their Council.



## **Decision Making**

The Board make the key decisions and have reserved those matters that only it can take. Such decisions are made at Board meetings that take place at least 6 times a year and are recorded in the Minutes. Board meetings are public meetings at which anyone can attend the general business sessions. All other matters which, by definition, the Board considers suitable for delegation or may otherwise need to be dealt with between Board meetings have been delegated to its Plenary Committees and to the Consortium Management Committee, in accordance with the Board's Standing Orders, Scheme of Delegation and Financial Regulations. In addition to this the Board has constituted certain Advisory Committees and is represented on a number of Joint Advisory Committees, which make recommendations to the Board on various matters. Decisions and Board policy are then implemented by the Chief Executive and his/her Management Team. All staff are bound by the Employees Code of Conduct.

## **Decision Making**

The Board has put in place a number of plans policies and procedures to reduce the risk of fraud and to manage the key risks around delivering its strategic objectives: Anti-Fraud and Corruption Policy, Bribery Act Policy, Risk Management Policy, Employers Pension Policy Statement and Whistle

## **Transparency**

The Board's Minutes are published on our website along with the Reports that have helped inform these decisions. We aim to comply with the Government's Transparency Code and have also implemented the following policies to explain the types of information we have and when we can make this info. available, if requested: Data Protection Policy, Document Retention/Destruction Policy and our Freedom of Information Publication Scheme. Most information is freely available and can be accessed from our website. Other news and live updates are regularly communicated through our Facebook page, in accordance with the Board's Information Security and Systems – Acceptable Use Policy.

## **Independent Assurance**

Following closure of the Audit Commission on 31 March 2015 and expiration of its audit contracts the Government's Specified Person (Public Sector Audit Appointments Ltd) now appoints an External Auditor each year to audit the Board's Accounts and governance arrangements (the Appointed Auditor). The Appointed Auditor reports directly to the Board and therefore provides independent assurance to the Board and its stakeholders that the Accounts have been prepared in accordance with proper practices and that governance arrangements are sufficiently robust. Furthermore the Internal Auditor checks that the Board's management team are fully complying with these governance arrangements and reports directly to the Board on this every year. All of the Board's business processes are ISO 9001 and 14001 quality assured.

We confirm to the best of our knowledge and belief, with respect to the Board's Statement of Accounts for the year end 31st March 2022, that:

- 1) The Statement of Accounts have been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.
- 2) We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.
- 3) We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the Board to conduct its business or on its finances.
- 4) We have provided proper opportunity during the year for the exercise of electors rights in accordance with the requirements of the Accounts and Audit Regulations.
- 5) We have carried out an assessment of the risks facing the Board and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.
- 6) We have maintained throughout the year an adequate and effective system of internal audit of the Board's accounting records and control systems and carried out a review of its effectiveness.
- 7) We have taken appropriate action on all matters raised in previous reports from the internal and external audit.
- 8) We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial impact on the Board and where appropriate have included them in the Statement of Accounts.

The Board has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Officers of the Board who have responsibility for the development and maintenance of the governance environment, and also by comments made by internal and external auditors.

The current Internal Auditors have performed a review of ten key areas, which can be seen in detail in the Internal Audit reported that has been included in this Statement of Accounts. These areas were given an overall assurance of Substantial Assurance.

Signed on behalf of King's Lynn Internal Drainage Board

Signed by: Chief Executive, Mr P J Camamile

Date: 29th July 2022

Signed by: Finance and Rating Manager, Miss S Jeffrey

Date: 29th July 2022

## Movement in Reserves Statement

Movement in Reserves Statement for the year ended 31 March 2022

	Usable Reserves							Unusable Reserves				Total Reserves £'000
	General Reserve £'000	Development Reserve £'000	Capital Works Reserve £'000	Plant Reserve £'000	West Norfolk Interagency Reserve £'000	Grant Reserve £'000	Total £'000	Revaluation Reserve £'000	Pension Reserve (KLIDB) £'000	Pension Reserve (KLIDB t/a WMA) £'000	Total £'000	
<b>Balance at 31st March 2021</b>	<b>3,730</b>	<b>1,286</b>	<b>0</b>	<b>2,821</b>	<b>50</b>	<b>0</b>	<b>7,887</b>	<b>1,913</b>	<b>-3,542</b>	<b>-5,099</b>	<b>-6,728</b>	<b>1,159</b>
Net Surplus/(Deficit)	236						236				0	236
Transfer (to)/from Development Reserve	0	0					0				0	0
Transfer (to)/from Pension Reserve	214						214		-214		-214	0
Actuarial Gain/(Losses) On Pension Fund							0		865	839	1,704	1,704
Revaluation							0				0	0
<b>Balance at 31st March 2022</b>	<b>4,181</b>	<b>1,285</b>	<b>0</b>	<b>2,821</b>	<b>50</b>	<b>0</b>	<b>8,337</b>	<b>1,913</b>	<b>-2,891</b>	<b>-4,260</b>	<b>-5,238</b>	<b>3,100</b>

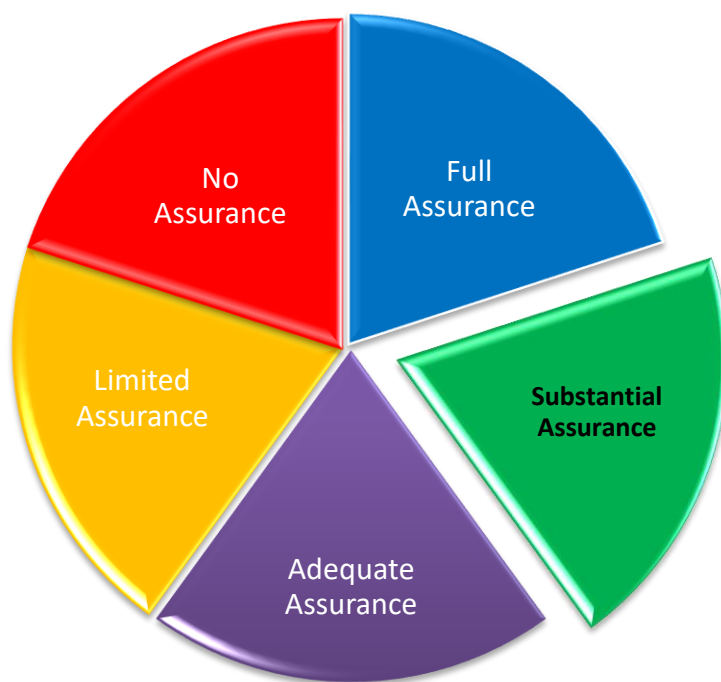


## **INTERNAL AUDIT REPORT**

### **WATER MANAGEMENT ALLIANCE**

# **REVIEW OF EFFECTIVENESS OF SYSTEM OF INTERNAL CONTROL 2021/22**

**19<sup>th</sup> April 2022**



## Internal Audit Service

This audit has been conducted in accordance with the Accounts & Audit Regulations and our Audit Charter, and complies with the Public Sector Internal Audit Standards. It should be noted that the assurances provided here can never be absolute, and therefore only reasonable assurance can be provided if there are no major weaknesses in control subject to Internal Audit review (at the time of testing).

The co-operation and assistance of all staff involved is greatly appreciated. This review was conducted by Kathy Woodward to whom any query concerning the content of this report should be made to [kwoodward@fenland.gov.uk](mailto:kwoodward@fenland.gov.uk)

The Executive Summary sets out the results of the work carried out and our overall conclusion on the system reviewed, and summarises the key recommendations arising.

## Consultation

<b>Draft report issued</b>	<b>19/04/2022</b>
<b>Management agreement received</b>	<b>19/04/2022</b>
<b>Final report issued</b>	<b>19/04/2022</b>

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## Executive Summary

Our Assurance Opinion: <b>SUBSTANTIAL</b>								
No. of Assurances Over Control Areas Reviewed					No. of Recommendations & Priorities			
Full	Substantial	Limited	No	Total	High	Medium	Low	Total
3	9	0	0	12	0	0	3	3

### Overall Objective and System Background

The overall objective of the audit was to ensure the effectiveness of the system of internal control operating within the Water Management Alliance (WMA).

The WMA is a group of Internal Drainage Boards (IDBs) who share the same vision, values and standards and have chosen to jointly administer their affairs in order to reduce costs, strengthen their own organisations and increase influence at a national and local level. Each IDB is responsible for providing flood protection and maintaining the drainage and water level management infrastructure within their respective area.

The WMA provides administrative and management support services to six constituent IDB Member Boards, namely Broads, King's Lynn, East Suffolk, Norfolk Rivers, South Holland, and Waveney, Lowe Yare and Lothingland and also provide support services to the Pevensey & Cuckmere Water Level Management Board. The Waveney, Lower Yare & Lothingland IDB joined the WMA on 1<sup>st</sup> April 2020; however, the WMA did not start providing support services to them until 1<sup>st</sup> April 2021.

### Summary of Key Control Issues and Risks

Based upon the work carried out, Substantial Assurance can be given regarding the effectiveness of the system of internal control operating within the WMA. There are few minor weaknesses identified within the Creditors and Bank Reconciliation areas that require review.

- Instances were identified where payment runs are not authorised as per the financial regulations on either the suggested payments report or the authorisation report.
- There are instances on the Broads IDB bank reconciliation where reconciliations take place for part days, meaning that one full day can have two separate reconciliations. There is a risk that transactions could be missed and is not following standard operating procedure.

A general recommendation has been included regarding improvements that could be made to increase the audit trail of the finance transactions and authorisation procedures, to increase efficiency and to go paperless, thus increasing the efficiency, flexibility and agility of the team.

### Summary of Key Recommendations

The key recommendations arising from the audit are:

- Ensure all payment runs have been appropriately authorised.

Internal Audit advice would be that this could be done by the Finance and Rating Manager or the Chief Executive, so long as appropriate segregation of duties is in place.

- Ensure all reconciliations are undertaken up to the end of the previous day, to ensure each complete day is recorded in one reconciliation and corresponds to the bank statements.
- Review current practices to see where efficiencies can be made in going paperless and explore the finance system capabilities for more efficient and robust electronic authorisations.

## 2. Objective & Scope

2.1 The overall objective of the audit was to ensure the effectiveness of the system of internal control operating within the Water Management Alliance (WMA).

2.2 The audit involved the following:

- Creditors – sample testing of purchase orders and invoice payments for appropriate authorisation in accordance with Financial Regulations.
- Risk Management - reviewing Board minutes for evidence of review of Risk Register at regular intervals; reviewing each Board's Risk Register for expected and relevant risks.
- Budgetary Control – reviewing Board minutes for evidence that budgets for the year ahead are set and that monitoring reports are presented to the Board on a regular basis with analysis of any variations. Checking that financial reporting to Boards is in accordance with Financial Regulations.
- Reserve's Policy – reviewing each Board's Reserves Policy for adequacy and assessing whether each Board's reserves are appropriate.
- Income – reviewing the system for the receipt and banking of income; test checking a sample of income receipts for evidence of prompt and correct banking, and that VAT is accounted for correctly.
- Petty Cash – reviewing the petty cash system and the appropriateness of payments made out of petty cash for appropriateness.
- Payroll – sample testing of payroll records for correct authorisation of timesheets and correct application of PAYE/NIC deductions.
- Assets & Investments – reviewing the process for monitoring and reporting investments and assets, ascertaining each Board's current investments and where they are held. Tracing a sample of investments back to source documents for appropriate authorisation. Reviewing the process for the monitoring and reporting of cash flow, ensuring that cash flows are maintained at an appropriate level.
- Cashbook & Bank Reconciliations – sample testing of the reconciliation of each Board's cashbook to their bank statements, checking that any discrepancies are identified, investigated and explained, and that corrective action is taken. Checking that all bank accounts have remained in credit throughout the whole year.
- Year End Procedures – checking that accounting statements prepared during the year were prepared using the correct accounting basis.
- Transparency – checking that the Board published information on a website that complies with the relevant Transparency code.

- Exercise of Public Rights – checking that the authority has provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations and complied with the publication requirements for the prior year AGAR.
- 2.3 Recommendations arising from the previous year’s audit were followed-up to ensure their implementation by management.
- 2.4 The audit review was undertaken in liaison with the Finance & Rating Manager and consisted of discussions relating to the operation of the internal control processes, review of relevant documentation and sample testing of specific transactions.
- 2.5 Due regard was taken of the guidance issued in March 2021 by the Joint Practitioners’ Advisory Group (JPAG), “Governance and Accountability for Smaller Authorities in England – A Practitioners Guide to proper practices to be applied in the preparation of statutory annual accounts and governance statements (March 2021)” and “Good Governance for IDB Members” published by the Association of Drainage Authorities (ADA) in November 2018.
- 2.6 Following completion of the audit, Internal Audit completed section 4 of the Electronic Annual Governance and Accountability Return for 2021/22 for each of the six Boards.
- 2.7 The review was undertaken during March and April 2022.

### **3. Background Information**

- 3.1 The WMA is a group of Internal Drainage Boards (IDBs) who share the same vision, values and standards and have chosen to jointly administer their affairs in order to reduce costs, strengthen their own organisations and increase influence at a national and local level. Each IDB is responsible for providing flood protection and maintaining the drainage and water level management infrastructure within their respective area.
- 3.2 The WMA provides administrative and management support services to the six constituent IDB Member Boards, namely Broads, King’s Lynn, East Suffolk, Norfolk Rivers, South Holland and Waveney, Lower Yare and Lothingland. The WMA also provide support services to the Pevensey & Cuckmere Water Level Management Board. The Waveney, Lower Yare & Lothingland IDB joined the WMA on 1<sup>st</sup> April 2020; however, the WMA did not start providing support services to them until 1<sup>st</sup> April 2021.
- 3.3 As a service provider, the WMA makes available shared administrative and support services to its Member Boards, which allows each Board to concentrate on delivery within their Drainage Districts. All back-office functions are handled by the WMA enabling each Board to use their resources to support the public and provide quality frontline services.



#### 4. Our Opinion

- 4.1 On the basis of the work undertaken, management can be provided with an overall opinion of “Substantial Assurance” regarding the effectiveness of the system of internal control operating within the WMA.

<b>OVERALL INTERNAL AUDIT OPINION: <i>SUBSTANTIAL ASSURANCE</i></b>	
<b>Control Objectives</b>	<b>Assurance Opinion</b>
1. <b>Creditors</b> - To ensure that all orders have been raised and payments processed in accordance with Financial Regulations.	<b>Substantial</b>
2. <b>Risk Management</b> – To ensure that the authority has assessed the significant risks to achieving its objectives and has reviewed the adequacy of the arrangements to manage these.	<b>Substantial</b>
3. <b>Budgetary Control</b> - To ensure that robust controls exists regarding the budget setting and monitoring process, and that budgets are set for the year ahead and are monitored throughout the year, with any variances identified and explained adequately.	<b>Substantial</b>
4. <b>Reserve’s Policy</b> - To ensure that each Board has a Reserves Policy in place relating to capital financing and reserves, and that reserves are appropriate.	<b>Full</b>
5. <b>Income</b> – To ensure that expected income is fully received, based on correct prices, properly recorded and promptly banked, and that VAT is appropriately accounted for.	<b>Substantial</b>
6. <b>Petty Cash</b> - To ensure that petty cash provisions are reasonable, used in accordance with Financial Regulations and that adequate records are kept of payments made.	<b>Substantial</b>
7. <b>Payroll</b> - To ensure that salaries have been paid correctly and in a timely manner, and that PAYE/NIC have been paid over correctly.	<b>Substantial</b>
8. <b>Assets &amp; Investments</b> - To ensure that investments and assets are properly recorded, that reimbursements and interest are received promptly and in full, and that cash flows are maintained at an adequate level.	<b>Substantial</b>
9. <b>Cashbook &amp; Bank Reconciliations</b> - To ensure that regular monthly reconciliations are carried out by a responsible officer and that this is evidenced. To ensure that any discrepancies are investigated and explained, and that corrective action is taken where necessary.	<b>Substantial</b>
10. <b>Year End Procedures</b> – To ensure that accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cashbook, supported by an adequate audit trail and, where appropriate, debtors and creditors were properly recorded.	<b>Substantial</b>
11. <b>Transparency</b> -To ensure that information published on the website complies with the relevant Transparency code.	<b>Full</b>

<b>12. Publications</b> – To ensure that the period for the exercise of public rights as required by the Accounts and Audit regulations has been provided for and that publication requirements for the prior year AGAR has been complied with.	<b>Full</b>
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- 4.2 The detailed findings and recommendations arising from the review are attached as Appendix A, incorporating the agreed management actions.
- 4.3 A total of five recommendations were made arising from last year's review; as part of this current year's audit these were followed-up to ensure that they had been implemented by management. The results of the follow-up are attached as Appendix B. Of the five recommendations, all have been actioned.
- 4.4 Significant improvements have been made since the last audit on the control environment, with increased resources in the team and improved processes for ensuring accuracy and control.
- 4.5 Appendix C provides definitions of the Internal Audit assurance opinions given in the report and of the recommendation priorities.
- 4.6 The Terms of Reference for the review are attached as Appendix D.

## 5. Reporting

- 5.1 A copy of the final report will be sent to the Finance and Rating Manager and to the Chief Executive of the WMA.

## 6. Acknowledgements

- 6.1 Internal Audit would like to express our thanks to the following for their assistance during the course of the audit:
- Sallyanne Jeffrey, Finance & Rating Manager/RFO
  - Phil Camamile, Chief Executive
  - Lisa Manning, Senior Finance & Rating Officer
  - Amy Taylor, Finance & Rating Officer
  - Alex Burton, Finance and Rating-Officer
  - Agi Escovia, Senior Finance and Rating-Officer
  - Graham Tinkler, Rating/Enforcement Officer
- 6.2 I would like to congratulate you on significant improvements over previous years audits. The changes that have been implemented, along with increasing the resourcing capacity has had

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a marked impact on the results of the audit and the finance and rating team should be congratulated on their achievements.

## Findings, Risks, Recommendations and Management Action Plan

## Control Objective 1: Creditors – To ensure that all orders have been raised and payments processed in accordance with Financial Regulations. (AGAR B)

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
1.	<p><u>Finding</u> All suggested payment reports and authorisation reports for the whole year were checked for appropriate authorisation. The process requires at least one of these reports to be initialled or authorised by PC. Three instances were identified where neither report had been authorised before payments were made. Kings Lynn – 31/05/2021 South Holland – 31/05/2021 Norfolk Rivers – 31/07/2021 It was explained by the Finance and Rating Manager that this was likely a result of staff members working from home and authorisations obtained via email, but not attached to the file.</p> <p><u>Risk</u> Risk that unauthorised payments could be made and not made in accordance with Financial Regulations.</p>	Ensure all payment runs have been appropriately authorised. Internal Audit advice would be that this could be done by the Finance and Rating Manager or the Chief Executive, so long as appropriate segregation of duties is in place.	Low	<p>These payment runs were processed by the Finance and Rating Officer that was required to isolate due to being classed as Clinically Extremely Vulnerable, and working from home.</p> <p>The Finance and Rating Manager will now approve these moving forward from 01<sup>st</sup> April 2022 (the Chief Executive will sign in her absence)</p>	<p>Sallyanne Jeffrey/All Finance and Rating Team</p> <p>April 2022</p>

## Follow-up of Previous Report's Recommendations

**Control Objective 9: Cashbook and Bank Reconciliation - To ensure that regular monthly reconciliations are carried out by a responsible officer, that this is evidenced, and that any discrepancies are investigated and explained, and corrective action is taken where necessary.**

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
2.	<p><u>Finding</u> For the Broads IDB bank reconciliation all of the transactions are reconciled, however a number of reconciliations are undertaken in 'part' days so some transactions will go into one rec and others into the next rec. This creates the illusion that the bank statements are showing incorrect balances.</p> <p><u>Risk</u> Risk that transactions could be missed or duplicated. This could create an issue for business continuity in the event of absences and unnecessary inefficient backtracking to ensure the reconciliations are complete and up to date.</p>	Recommendation - ensure all reconciliations are undertaken up to the end of the previous day, to ensure each complete day is recorded in one reconciliation and corresponds to the bank statements.	Low	Although the bank reconciliations were part complete, we would like to clarify no mistakes or errors were found within any of the Bank reconciliations performed. It could be argued that the Officer was being overly efficient and proactive. We have agreed to complete only full day reconciliations moving forward so the audit trail is clearer.	Finance and Rating Team  April 2022

## Follow-up of Previous Report's Recommendations

## General Observation – Improvements and Best Practice

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
3.	<p><u>Finding</u></p> <p>Following on from the Covid 19 pandemic, significant strides have been made in digital efficiencies to enable the workforce to work in a more flexible and agile manner. There is still a lot more that could be achieved to reduce reliance upon paper audit trails, resulting in benefits such as more efficient working practices, cost savings through reduced storage and enabling electronic authorisation through the finance system, increasing the audit trail. With the impending move to new offices, this would be an ideal time to create a paperless strategy and plan for the finance team.</p>	<p>Review current practices to see where efficiencies can be made in reducing reliance upon paper audit trails and explore the finance system capabilities for more efficient and robust electronic authorisations.</p> <p>Additional support could be sought from the internal auditor to provide advice and guidance if required on implementation on electronic procure to pay and authorisation structures.</p>	Low	<p>The Finance and Rating Team have reduced printing within 2021/22 by saving more on the server, and reducing reliance on paper files, where possible.</p> <p>We have agreed to save down the monthly Financial Reporting pack onto the server from 01<sup>st</sup> April 2022. This will save significant amounts of paper.</p> <p>Moving forwards the Finance and Rating Manager will look at a strategy to move towards a more paperless way of working. The Bedford Group of IDBs is currently trialling a system that is moving towards a paperless system, so we can benefit from their experience and visit to see how their system works, and how we can utilise this best for our Consortium.</p>	<p>Finance and Rating Manager</p> <p>April 2022 (Month End Financial Reporting Packs)</p> <p>April 2024</p>

### Follow-up of Previous Report's Recommendations

**Control Objective 2: Risk Management – To ensure that the organisation has assessed the significant risks to achieving its objectives and has reviewed the adequacy of the arrangements to manage these.**

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Actions
1.	<p><u>Finding</u> Board minutes do not routinely state that material changes to the risk register for those risks scored 6 or above have been considered and approved by the Board at each meeting, or that the full risk register was considered and approved each year.</p> <p><u>Risk</u> Risk that significant risks to the achievement of the organisation's objectives are not identified and assessed.</p>	As required by each Board agenda, Board minutes should clearly state that any material changes to the risk register have been "considered and approved" by the Board. Similarly, when the full risk register is reviewed annually by the Board, the minutes should state that the full risk register was "considered and approved".	Medium	The reality is that the Risk Register is always "considered in detail and approved" at every Board meeting. The issue is that this is not always accurately recorded in the minutes. Of the 24 Board meetings that took place during 2020/21, the minutes of 6 of those meetings did not include the word "approved". The CEOs PA will check the minutes more closely in future.	CEOs PA 30th June 2021	All Board minutes have been checked for the risk register items and now contain the correct description of 'approved' in the minutes.
2.	<p><u>Finding</u> The King's Lynn Risk Register is dated 29/11/19, although there is evidence from the Board minutes from 13/11/20 and 15/01/21 of the Board considering and approving the Risk Register.</p> <p><u>Risk</u> Risk that the Risk Register is not current and that new risks are not identified.</p>	The date stated on the King's Lynn Risk Register should be amended to record the date of the most recent approval of the register by the Board.	Low	The Risk Register is always current and includes all new risks identified. The issue is that the date that appears in the page footer is not always updated every time the Risk Register is updated. The CEOs PA will check that this date is always updated when the Risk Registers are updated, moving forward.	CEOs PA 30th June 2021	All risk registers have been checked and the updated date now coincides with the appropriate Board meeting.

## Follow-up of Previous Report's Recommendations

**Control Objective 7: Payroll – To ensure that salaries have been paid correctly and in a timely manner, and that PAYE/NIC has been accounted for correctly.**

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Actions
3.	<p><u>Finding</u></p> <p>Payrolls for King's Lynn, Norfolk Rivers, South Holland and Broads IDB, and for WMA, for July 2020 and January 2021, were checked to ensure that:</p> <ul style="list-style-type: none"> <li>• BACS Submission Details report had been initialled by CEO;</li> <li>• Update Records Check Report payroll totals for each employee agreed to their payslip;</li> <li>• Payslip details agreed to timesheet or expenses sheet;</li> <li>• Timesheet or expenses sheet signed by employee;</li> <li>• Timesheet or expenses sheet authorised by the appropriate officer.</li> </ul> <p>Testing proved satisfactory with the exception of two employees whose expenses payments had been underpaid and two employees who had not been reimbursed for their expenses claims:</p> <ul style="list-style-type: none"> <li>• One SHIDB employee claimed for 10 callouts in December 2020. They should have been paid £75.00 for each callout (as per their contract) and as claimed for on their timesheet/expenses form; however, in the January 2021 payroll they were paid £49.20 for each one; therefore, they were paid a total of £492.00 instead of £750.00.</li> </ul>	The two employees whose expenses payments had been underpaid and the two whose expenses payments had been missed should be reimbursed correctly in the May 2021 payroll.	Medium	The two employees whose expenses payments had been underpaid and the two whose expenses payments had been missed should be reimbursed correctly in the May 2021 payroll.	The two employees whose expenses payments had been underpaid and the two whose expenses payments had been missed should be reimbursed correctly in the May 2021 payroll.	<p>Corrections actioned in May 2021 payroll.</p> <p>Additional processes have been introduced for the payroll processing, which has resulted in fewer errors and none identified during the audit for 2021/22.</p>



## Follow-up of Previous Report's Recommendations

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Actions
3.	<ul style="list-style-type: none"> <li>A NRIDB employee claimed a total of 264 miles in week 17 but was only paid for 147 miles in the July 2020 payroll. The employee uses a computerised timesheet/expenses form which is updated each month. The figure of 264 miles was entered on the expenses claim for week 17, and authorised, but the total from the previous week (147 miles) was inadvertently left on the form in the "for office use only" section; therefore, they were paid 147 miles rather than the correct figure of 264.</li> <li>One Broads IDB employee claimed 188 miles in week 42 but had not received payment.</li> <li>A WMA employee claimed 96 passenger miles in December 2020 for which they were not paid.</li> </ul> <p>The two underpayments and the two missed payments were discussed with the Finance &amp; Rating Manager who agreed to include them in the May 2021 payroll (as the April payroll had already been run).</p> <p>The Finance &amp; Rating Manager assured Internal Audit that additional processes have been put in place to increase the accuracy of the payroll processing. She is going to place all of the Finance team on a payroll course when available to increase their skill set.</p>		Medium			

## Follow-up of Previous Report's Recommendations

**Control Objective 7: Payroll – To ensure that salaries have been paid correctly and in a timely manner, and that PAYE/NIC has been accounted for correctly.**

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Actions
4.	<p><u>Finding</u> One SHIDB employee did not complete a timesheet for weeks 41, 42 and 43 when they were on leave. It was established that other SHIDB staff do complete a timesheet when they are on leave; therefore, for consistency, all staff should complete a timesheet when they go on leave. It was agreed with the Finance &amp; Rating Manager that all staff at SHIDB should be required to complete a timesheet and have it authorised prior to them going on leave.</p> <p><u>Risk</u> Risk of staff being paid without submitting a timesheet.</p>	Employees should be required to submit a weekly timesheet when they are on annual leave. Staff should complete their timesheet and have it authorised prior to them going on leave.	Low	Agreed. We will ensure a timesheet is submitted and has been authorised by the appropriate manager for holidays taken prior to payment.	Finance and Rating Manager 31 <sup>st</sup> May 2021	All staff are completing timesheets for periods of leave and are appropriately authorised.
5.	<p><u>Finding</u> One SHIDB employees timesheet for w/e 05/07/20 was authorised by the Foreman but not by the Operations Manager. Ordinarily, all SHIDB timesheets are authorised by both the Foreman and by the Operations Manager.</p> <p><u>Risk</u> Risk that timesheet/expenses claims are paid without being</p>	Finance Officers should ensure that all timesheets have been appropriately authorised by the IDB's Operations Manager, prior to payment. Any that have not been signed should be returned to the appropriate manager for authorisation.	Medium	Agreed. We will ensure that all timesheets are properly authorised prior to payment.	Finance and Rating Manager 31 <sup>st</sup> May 2021	All timesheets sampled have been appropriately authorised prior to payment.

## Assurance Opinion and Recommendation Priority Definitions

### Assurance Opinion

### Definition

#### Full Assurance

In our opinion, there is a **sound** system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.

#### Substantial Assurance

In our opinion, there is a sound system of internal control operating, but there are a **few minor weaknesses** which could put the achievement of system objectives at risk.

#### Adequate Assurance

In our opinion, there is a sound system of internal control operating, but there are **some weaknesses** which could put the achievement of system objectives at risk.

#### Limited Assurance

In our opinion, there is a system of internal control with a number of weaknesses likely to **undermine** achievement of system objectives, and which is vulnerable to abuse or error.

#### No Assurance

In our opinion, there is a **fundamentally flawed** system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

### Recommendation Priority

### Definition

#### Low

These issues would contribute towards improving the system under review, and are of limited risk. It is expected that corrective action to resolve these will be taken as resources permit.

#### Medium

A control process that contributes towards providing an adequate system of internal control. It is expected that corrective action to resolve these will be implemented within three to six months.

#### High

A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected. It is expected that corrective action to resolve these will be commenced immediately.

**WATER MANAGEMENT ALLIANCE**

**REVIEW OF EFFECTIVENESS OF RISK  
MANAGEMENT, CONTROL & GOVERNANCE  
PROCESSES**

**INTERNAL AUDIT  
TERMS OF REFERENCE  
2021-22**

## Terms of Reference

### 1. INTRODUCTION

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- 1.1 This document sets out the strategy and plan for the audit of the Water Management Alliance for the financial year 2021--22.
- 1.2 Section 6 of The Accounts and Audit Regulations 2015 states that '*The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control*'.
- 1.3 Internal Audit is defined as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*' Public Sector Internal Audit Standards, April 2017
- 1.4 The Internal Auditor will work in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by CIPFA from April 2017 and thus will be able to provide the review required by the Regulations.
- 1.5 The authority of the Internal Auditor is established in the Financial Regulations.
- 1.6 The audit work will concentrate on records and systems used by the Water Management Alliance, who provide the financial and administrative functions for:
  - Broads (2006) Internal Drainage Board
  - East Suffolk Internal Drainage Board
  - King's Lynn Internal Drainage Board
  - Norfolk Rivers Internal Drainage Board
  - South Holland Internal Drainage Board
  - Waveney, Lower Yare and Lothingland Internal Drainage Board

And to the Pavensey & Cuckmere Water Level Management Board.

As such, this work will enable the auditor to complete the Annual Governance and Accountability Returns for 2021-22 for each of the IDBs.

### 2. OBJECTIVES AND SCOPE OF THE AUDIT

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- 2.1 The work of the Internal Auditor will be guided by the Joint Panel on Accountability & Governance (JPAG) Practitioners' Guide (March 2021).
- 2.2 In order to be able to complete section 4 of the Electronic Annual Governance and Accountability Return for 2021-22, the auditor will consider the following internal control objectives (as stated on the return):
  - A. The Accounting Records  
Appropriate accounting records have been properly kept throughout the financial year.
  - B. Financial Regulations and Standing Orders  
The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

### Terms of Reference

- C. Risk Management processes  
The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
  - D. Budgetary Controls  
The precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored: and reserves were appropriate.
  - E. Income Controls  
Expected Income was fully received, based on correct process, properly recorded and promptly banked: and VAT was appropriately accounted for.
  - F. Petty Cash Procedures  
Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
  - G. Payroll Controls  
Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.
  - H. Asset Management  
Assets and Investments registers were complete and accurate and properly maintained.
  - I. Bank Reconciliation  
Periodic bank account reconciliations were properly carried out during the year.
  - J. Year-end Procedures  
Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.
  - L. The authority publishes information on a free to access website/webpage up to date at the time of internal audit in accordance with any relevant transparency code requirements.
  - M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.
  - N. The authority has complied with the publication requirements for 2020-21 AGAR.
- 2.3 Any recommendations and issues arising from the previous audit will also be followed up to establish if they have been implemented or if there is a satisfactory explanation for non-implementation.
- 2.4 Contained within the scope of work described above it is implied that the auditor will have due regard for Value for Money considerations and the potential for fraud.

## Terms of Reference

### 3. TASKS

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3.1 The project tasks are to:

- Establish if the procedures recorded as part of the audit for 2020-21 remain the same and document any changes that may have taken place.
- Perform tests to establish that systems are operating in accordance with the procedures and that good practice is being complied with.
- Assess strengths and weaknesses of the systems operated and the levels of financial and management risk.
- Discuss the results with the Chief Executive and make recommendations as appropriate, which will be communicated to the Boards by means of a report.
- Complete Section 4 of the Electronic Annual Governance and Accountability Return for 2021-22 for each of the IDBs.

### 4. WORK PLAN

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4.1 The audit will be undertaken by Kathy Woodward, Internal Auditor Manager, Fenland District Council.

4.2 The audit has been allocated seven days, which will be utilised as follows:

Task	Time
Confirm existing procedures and record any changes. Undertake a follow-up of actions agreed from the audit report for the year 2020-21.	1
Testing – to establish that processes are being applied as intended.	4.5
Conclusions and discussion.	1
Completing the Return and reporting if required.	0.5

Terms of Reference

5. AGREEMENT

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	Signature	Date
Phil Camamile Chief Executive, Water Management Alliance	.....	.....
Kathy Woodward Internal Audit Manager Fenland District Council	.....	.....



From: 01 April 2021  
To: 31 March 2022

Period: 12  
Year Ending: 31 March 2022

Notes	Income and Expenditure Account	2020/21 Actual £	2021/22 Actual £	Annual Estimate £
<b><u>Income:</u></b>				
	Occupiers Drainage Rates	328,495	335,021	335,021
1	Special Levies issued by the Board	1,999,540	2,041,742	2,041,742
	Grants Received	0	0	2,499,993
	Rental Income	16,802	10,732	7,735
2	Highland Water Contributions	63,847	80,921	51,402
	Income from Rechargeable Works	181,846	213,596	3,000
	Investment Interest	53,861	20,020	25,000
	Development Contributions	0	0	0
4	Other Income	366,079	541,652	440,589
	<b>Total Income</b>	<b>£3,010,470</b>	<b>£3,243,683</b>	<b>£5,404,482</b>
<b><u>Less Expenditure:</u></b>				
5	Capital Works	16,082	151,969	4,642,143
6	Environment Agency Precept	174,352	174,352	177,839
7	Maintenance Works	1,547,984	1,574,100	1,569,670
	Development Expenditure	0	383	0
	Interest Payments	283,968	281,160	281,160
8	Administration Charges	382,982	410,519	428,538
	Cost of Rechargeable Works	114,735	162,904	0
	Bad Debt Provision	-64,643	0	0
	Pension Interest Cost and Expected Return on Assets	133,000	214,000	0
3	Net Deficit/(Surplus) on Operating Accounts	99,618	55,997	0
	<b>Total Expenditure</b>	<b>£2,688,078</b>	<b>£3,025,385</b>	<b>£7,099,350</b>
	Profit/(Loss) on disposal of Fixed Assets	£9,750	£18,152	£0
9	<b>Net Surplus/(Deficit)</b>	<b>£332,142</b>	<b>£236,450</b>	<b>-£1,694,868</b>
	Actuarial Gains/(Losses) on pension assets/Liabilities	-£364,000	£865,000	
	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>-£31,858</b>	<b>£1,101,450</b>	

Notes	Balance Sheet as at 31-3-2022	2020/21 Closing Balance £	2021/22 Closing Balance £
	<b>Fixed Assets:</b>		
10	Land	1,065,000	1,065,000
10	Building	380,000	380,000
10	Plant and Equipment	895,253	1,076,668
10	Pumping Stations/Outfall Structures	602,500	602,500
10	Properties	210,000	210,000
10	Shared Consortium Assets	0	0
13	Assets Under Construction	25,830,566	34,717,062
		<b>28,983,319</b>	<b>38,051,229</b>
	<b>Current Assets:</b>		
11	Bank Account	3,199,046	1,511,908
	Stock	3,326	16,576
12	Trade Debtors	1,810	9,131
	Work in Progress	1,564	0
14	Term Deposits	11,000,000	6,500,000
15,16	Drainage Rates and Special Levies Due	5,573	1,106
17	Prepayments	0	0
	Prepayments to WMA	978	18,478
	Accrued Interest	16,031	5,281
	VAT Due	874,467	322,574
18	Grants Due	0	0
		<b>15,102,795</b>	<b>8,385,054</b>
	<b>Less Current Liabilities:</b>		
	Trade Creditors	370,610	408,270
29	Accruals	35,832	54,311
29	Accumulated Absences Accrual	2,765	3,377
	Bad Debt Provision	0	0
18	Capital Grants Received in Advance	24,129,971	26,076,971
30	Receipts Paid in Advance	26,995	21,894
28	PWLB Loans due in less than one year	98,931	101,821
		<b>24,665,103</b>	<b>26,666,643</b>
	<b>Net Current Assets</b>	<b>-9,562,309</b>	<b>-18,281,589</b>
	<b>Less Long Term Liabilities:</b>		
25,34	Pension Liability (KLIDB)	3,542,000	2,891,000
25,34	Pension Liability (KLIDB t/a WMA)	5,099,000	4,260,000
28	PWLB Loans due in more than one year	9,620,806	9,518,985
		<b>18,261,806</b>	<b>16,669,985</b>
	<b>Net Assets</b>	<b>£1,159,205</b>	<b>£3,099,655</b>
19	<b>Reserves:</b>		
	<b>Usable:</b>		
20	General Reserve	3,729,870	4,180,703
21	Development Reserve	1,285,710	1,285,327
22	Capital Works Reserve	0	0
23	Plant Reserve	2,821,148	2,821,148
	West Norfolk Inter Agency Flood Water Mgmt Reserve	50,000	50,000
18	Grants Reserve	0	0
		<b>7,886,728</b>	<b>8,337,178</b>
	<b>Unusable:</b>		
24	Capital Adjustment Account	1,913,477	1,913,477
25,34	Pension Reserve (KLIDB)	-3,542,000	-2,891,000
25,34	Pension Reserve (KLIDB t/a WMA)	-5,099,000	-4,260,000
		<b>-6,727,523</b>	<b>-5,237,523</b>
	<b>Total Reserves</b>	<b>£1,159,205</b>	<b>£3,099,655</b>

**Cashflow Statement for the years ended 31st March 2021 & 31st March 2022**

	2021	2022
<b>Cash flows from Operating Activities</b>		
Net surplus/(deficit) on the provision of services	£332,142	£236,450
(Increase)/decrease in debtors	-£166,193	£549,038
(Increase)/decrease in stock	£2,554	-£11,686
Increase/(decrease) in creditors	-£438,520	£51,650
Prior Year Adj for Long Term WIP	£0	£0
Increase/(decrease) in Grants Received in Advance	£15,932,499	£1,947,000
(Increase)/decrease in accrued interest income	£52,138	£10,750
(Increase)/decrease Prepayment to WMA	-£5,408	-£17,500
Adjustment for Depreciation	£216,323	£224,175
Adjustment for Pension Costs	£133,000	£214,000
Adjustment for(Profit)/Loss on Disposal	-£9,750	-£18,152
<b>Net cash flows from Operating Activities</b>	<b>£16,048,786</b>	<b>£3,185,726</b>
<b>Cash flows from Investing Activities</b>		
Purchase of PPE	-£209,166	-£507,321
Sale of PPE	£30,000	£119,883
(Increase)/decrease in Assets Under Construction	-£12,929,700	-£8,886,496
Adjustment for Depreciation	0	£0
<b>Net cash flows from Investing Activities</b>	<b>-£13,108,866</b>	<b>-£9,273,933</b>
<b>Cash flows from Financing Activities</b>		
Increase/(decrease) in PWLB less than 1 Year	£2,808	£2,890
Increase/(decrease) in PWLB more than 1 Year	-£98,931	-£101,821
<b>Net cash flows from Financing Activities</b>	<b>-£96,123</b>	<b>-£98,931</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>£2,843,797</b>	<b>-£6,187,138</b>
Cash and Cash Equivalents at the beginning of the reporting period	£11,355,249	£14,199,046
<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>£14,199,046</b>	<b>£8,011,908</b>

## **Statement of Accounting Policies**

### **Basis of Financial Statement and Accounting Policies**

The Statement of Accounts have been prepared in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

King's Lynn IDB's accounting policies are the principle, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be shown in its financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses and changes in reserves. It has adopted the following accounting policies which should be read in conjunction with the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in this statement of accounts.

Estimates and underlying assumptions are reviewed on an ongoing basis.

#### Critical Judgements In Applying Accounting Policies:

In applying the accounting policies the IDB 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:

**IAS20 Government Grants:** An entity recognises government grants only when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

The grants received from the EA in respect of Wolferton, Islington, North Lynn and Pierrepont PS have been shown within Grants Received in Advance, and the corresponding costs are shown within Assets Under Construction, along with the new office on Nar Ouse Way, on the Balance Sheet. Once the projects are complete and the Certificate of Completion is received, alongside the relevant closure form from the Environment Agency being signed off, both the income from the grant, and the costs incurred will be recognised and the net cost of the asset recognised on the Balance Sheet.

#### 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 revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustments within the carrying amounts of assets and liabilities within the next financial year are:

##### **1) Property**

There could potentially be an impact on the valuations due to the pandemic, and the valuers have stated that there is a "material valuation uncertainty" within their report surrounding how COVID-19 may impact these valuation in 2020-21. We were not required to revalue the assets in the financial year to 31st March 2022, therefore any impact is currently unknown.

## 2) 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 return on pension fund assets. A firm of consulting Actuaries is engaged with Norfolk Pension Fund, about the assumptions to be applied, and provides an annual report detailing this information and outlining the assumptions made.

### Accruals:

All expenditure is charged in the period to which it relates on an accruals basis and a liability is recognised when there is a legal or constructive obligation.

### Provisions:

A provision is recognised if, as a result of a past event, KLIDB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### Cash and Cash Equivalents:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of 12 months or less. All maturities can be withdrawn with 24 hours notice with no reduction in the principal value invested, should withdrawal be required.

### Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity. The term Financial Instrument encompasses equity instruments, financial assets and financial liabilities.

The only financial assets held are receivables. Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Each financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Financial liabilities are recognised on the Balance Sheet when the IDB becomes party to the contractual provisions of a financial instrument. Long term loans (PWLB) are shown in the balance sheet as the capital element outstanding at the year end, split between amounts due in the current year and amounts due outside of the year. Any interest paid is taken directly to the income and expenditure account.

### Government Grants:

Government grants are recognised in the Income and Expenditure when all of the obligations and conditions have been met, if these have not yet been met these funds are held in the Grant Reserve.

### Income Recognition:

Income is recognised at the time of invoicing. In the case of Drainage Rates this is on the 1st April annually.

### Stock:

Stock is valued at the lower of cost or net realisable value.

### Taxation:

Drainage Boards are exempt from Income, Corporation and Capital Gains Taxes. Value Added Tax is included in the accounts only to the extent that it is irrecoverable.

#### Pensions:

The Board participates in the Norfolk Local Government Pension Scheme, a defined benefit scheme operated by Norfolk County Council. The Board pays a contribution of 24% on employees pensionable pay into the pension fund. The expected costs of providing pensions, as calculated periodically by professional qualified actuaries, is charged to the Income and Expenditure in order to spread the cost over the service lives of employees in the scheme. The annual report is available on request.

#### Fixed Assets:

Fixed assets are recognised as expenditure on acquisition, creation or enhancement of fixed assets. Assets with estimated useful lives in excess of 1 one year and a value of £5,000 or above are capitalised on an accruals basis in the accounts.

Disposals are written off at cost less depreciation. Any surplus/deficit is charged/credited to Profit/Loss on Disposal in the Income and Expenditure Account.

Depreciation has been provided for using the straight line method.

The useful lives of the various items on the Fixed Asset Register are as follows:

Motor Vehicles - 3 years  
Excavators and Plant - Various (3-20 years)  
Pumping Stations - 10 years  
Properties - 10 years  
Land - No Depreciation  
Buildings: 50 years

Properties, Pumping Stations and Land have been subject to revaluations, which are shown in the Revaluation Reserve account. These will be reviewed regularly so that the carrying amount does not materially differ from its fair value at the balance sheet date.

#### Revaluation Reserve:

Gains and losses arising on the revaluation of assets are credited or debited to the Revaluation Reserve. The reserve cannot be used for any other purpose.

#### General Reserve:

The Association of Drainage Authorities guidance recommends that the General Reserve held by the Board is 20-25% of estimated net expenditure. Year end surplus and deficits are taken to the General

#### Development Reserve:

The purpose of this Reserve is to reduce the impact on drainage rates from development that takes place in the area. The Board charges developers a standard rate per impermeable hectare for agricultural land which is developed and becomes a hard standing area, such as housing, roadways etc. The money is credited to this Reserve and then used to reduce the gross cost of capital work needed to cater for the additional flows arising from such development. The income for this reserve therefore comes exclusively from developers and is used to fund in part improvement works that are necessary because of development.

#### Plant Reserve:

The purpose of this provision is to reduce the impact on drainage rates as and when equipment is bought/sold or when pumping plant/sluices require refurbishment or improvement.

## **Additional Disclosures**

### **First Time Adoption of IFRS**

The Statement of Accounts for 2019-20 was the first to be prepared on an IFRS basis.

The accounting policies detailed have been applied to the financial statements for the year ended 31st March 2022, the comparative information and the opening statement of financial position at the date of transition.

Material differences between amounts presented are explained below.

### **IFRS Adjustments**

#### 1) Government Grants

Under the Code, Government Grants are recognised as income when all obligations and conditions of the grant are met. As a result of adopting the accounting policy required by the Code, the Financial Statements have been amended by moving all Grant Income to the Capital Grants Received in Advance account, until all conditions and obligations are met. The previous accounting policy was to match expenditure with the grant.

#### 2) Assets Under Construction

This expenditure was previously matched with the income received from the Government Grant and accounted for within the Income and Expenditure Statement for the year. This is now being classified separately, and once the asset is fully complete and all obligations and conditions of the grant met this will then be classified and accounted for as defined by the applicable accounting policy.

#### 3) Accumulated Absences

Short term accumulating absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Under the Code, the cost of providing holidays and similar benefits is required when employees render their services that increase their entitlement to future compensated absences. As a result the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under previous accounting arrangements, no such accrual was required.

#### 4) Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased vehicles. The liability of the lease is not shown on the Balance Sheet, but as a note to the accounts.

## **Current Borrowing Facilities and Capital Borrowing**

On 14th November 2017 the Authority took out a £10million loan from the Public Works Loan Board (PWLb). The repayment of the loan is for 49 years and 11 months at a fixed interest rate of 2.90%. The PWLB has advised that the fair value of the debt at 31st March 2022 is £9,620,806. The purpose of this loan was to assist with financing the construction of the new pumping stations.

## **Expenditure and Funding Analysis**

Kings Lynn IDB manages its activities and reports as a single operational unit, and as such no operational segmentation is provided in these Statement of Accounts.

Kings Lynn IDB has not acquired or discontinued any operations in the year to 31st March 2022.

## **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:

- 1) 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.
- 2) 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.

## **Financial Risk Management**

King's Lynn IDB has exposure to the following risks from its use of financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk
- 4) Operational risk

This note presents information about King's Lynn IDB's exposure to each of the above risks, the objective, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included throughout these Statement of Accounts.

### **Risk Management Framework**

The risk management framework is set out in the Annual Governance Statement of these Statement of Accounts.

#### **Credit Risk**

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations.

#### **Liquidity Risk**

Liquidity risk is the risk that King's Lynn IDB will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. King's Lynn IDB approach to managing liquidity risk is to only commit to financial instruments that can be funded from the available cash resources at the date of commitment.

#### **Market Risk**

Market risk is the risk that changes in market prices such as interest rates will affect King's Lynn IDB's income or the value of its financial instruments.

#### **Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with King's Lynn IDB's processes or personnel, technology and infrastructure risks, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

#### **Capital Management**

King's Lynn IDB's policy is to maintain a strong capital base so as to maintain stakeholder confidence and to sustain the future development and long term viability of the organisation.



From: 01st April 2021  
 To: 31st March 2022

Period To: 12  
 Year Ended: 31st March 2022

**Note Notes to the Accounts**

- 1 Special Levies collected from constituent Billing Authorities were as follows:

	<u>Actual 2020-21</u>	<u>Actual 2021-22</u>
Borough of King's Lynn & West Norfolk	1,888,048	1,928,014
Fenland District Council	87,295	89,046
South Holland District Council	24,197	24,682
	<b>1,999,540</b>	<b>2,041,742</b>

- 2 The Highland Water Claim for 2021/22 is due to be paid by the Environment Agency (EA) to the Board each September, following the changes made to the timetable in 2015 (previously the payment was made in two installments - one in May and one in December). This has been paid in full.

	<u>Actual 2020-21</u>	<u>Actual 2021-22</u>
EA - Highland Water Claim	63,847	80,921
	<b>63,847</b>	<b>80,921</b>

- 3 The Net Operating Deficit/(Surplus) for this year is made up as follows:

	<u>Actual 2020-21</u>	<u>Actual 2021-22</u>
Labour Operations Account	54,687	24,671
Mobile Plant Operations Account	44,932	31,326
	<b>99,618</b>	<b>55,997</b>

Detailed operating surpluses/(deficits) for the Labour Operations Account and each item of Mobile Plant are shown in the Labour and Plant Operations Reports, which can be made available to members on request. These Reports are scrutinised by the Board's Plant and Works Committee every year.

- 4 Other Income for this year is made up as follows:

	<u>Actual 2020-21</u>	<u>Actual 2021-22</u>
4803 Shared Income from WMA	437,533	539,725
Commuted Maintenance/SWDC	-73,182	0
4802 Summons Costs	0	1,200
4775 East Wash Coastal Management CIC Administration Fee	500	500
4800 Sundry Income	1,227	227
	<b>366,079</b>	<b>541,652</b>

- 5 The cost of each capital scheme is approved by the Board annually and detailed on the schedule of capital works, as managed by the Project Managers, which can be made available to members on request. This Report is also scrutinised by the Board's Plant and Works Committee every year.

	<u>Actual 2020-21</u>	<u>Actual 2021-22</u>
Capital Works Expenditure	16,082	151,969
	<b>16,082</b>	<b>151,969</b>

- 6 The EA Precept due for 2021/22 is slightly less than we originally estimated. It is payable in two halves on 31st May and 30th November. This has been paid in full.

	<u>Actual 2020-21</u>	<u>Actual 2021-22</u>
EA Precept	174,352	174,352
	<b>174,352</b>	<b>174,352</b>

- 7 The detailed maintenance operations in each sub catchment are approved by the Board annually and shown on the schedule of maintenance works, as managed by the Operations Manager, which can be made available to members on request. The summarised analysis of expenditure is as follows:

	<u>Actual 2020-21</u>	<u>Actual 2021-22</u>
Labour Charges	518,249	522,094
Plant Charges	280,284	287,711
Materials	15,786	13,365
Contractors	25,188	26,998
Electricity	202,299	173,961
Pumping Station Insurances	31,001	31,983
Telemetry	19,979	19,137
Heating Fuel	20,037	75
Pumping Station Depreciation	0	0
<b>Direct Works</b>	<b>1,112,823</b>	<b>1,075,325</b>
5400 Technical Support Staff Costs	388,830	440,443
5450 Other Technical Support Costs	36,964	52,060
5500 Biodiversity Action Plan Costs	9,367	6,272
Contingency	0	0
Annual Asset Reinstatement Provision	0	0
<b>Maintenance Works</b>	<b>1,547,984</b>	<b>1,574,100</b>

From: 01st April 2021  
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Period To: 12  
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**Note Notes to the Accounts**

- 8 Administration charges reflect the Board's share of consortium expenditure (excluding the technical support costs, which are included in the maintenance works expenditure). Detailed expenditure is monitored by the Consortium Management Committee and the Board every three months:

	<b>Actual 2020-21</b>	<b>Actual 2021-22</b>
Administration Staff Costs	118,518	146,588
Other Administration Costs	219,668	239,402
Audit Fees	40,390	16,569
Sundry Expenses	785	270
Pension Pay Strain	0	0
Drainage Rates AV Increases/(Decreases)	1,647	4,522
Kettlewell House Depreciation	0	0
Sundry Debtors written off	0	0
Settlement Discount	1,974	3,168
	<b>382,982</b>	<b>410,519</b>

8i **Audit Fees**

The external audit fees associated with Kings Lynn IDB are paid through the WMA directly, and accounted for within the Consortium charges.

- 9 The Board has planned to increase/(reduce) balances by financing expenditure from the following reserves:

	<b>Budget 2020-21</b>	<b>Budget 2021-22</b>
PWLB	-1,433,618	-1,223,310
General Reserve	-376,743	-471,558
	<b>-1,810,361</b>	<b>-1,694,868</b>

- 10 The movement in Fixed Assets is detailed in the Fixed Assets Register for 2021/22, which can be made available to members on request.

	<b>Land and Buildings</b>	<b>Plant and Equipment</b>	<b>Pumping Stations</b>	<b>Total</b>
<b>Cost</b>				
Opening Balance b/fwd	1,655,000	1,881,838	602,500	4,139,338
(+) Additions	0	507,321	0	507,321
(+) Donations	0	0	0	0
(+) Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0
(+) Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	0	0	0	0
(-) Disposals	0	-439,502	0	-439,502
Closing Balance c/fwd	<b>1,655,000</b>	<b>1,949,657</b>	<b>602,500</b>	<b>4,207,157</b>
<b>Depreciation</b>				
Opening Balance b/fwd	0	986,585	0	986,585
(+) Depreciation Charge for year	0	224,175	0	224,175
(-) Depreciation written out to the revaluation reserve	0	0	0	0
(-) Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0
(-) Accumulated depreciation written out on disposal	0	-337,771	0	-337,771
Closing Balance c/fwd	<b>0</b>	<b>872,990</b>	<b>0</b>	<b>872,990</b>
<b>Net Book Value as at 31-3-2022</b>	<b>1,655,000</b>	<b>1,076,668</b>	<b>602,500</b>	<b>3,334,168</b>

The movement in Fixed Assets is detailed in the Fixed Assets Register for 2020/21, which can be made available to members on request.

	<b>Land and Buildings</b>	<b>Plant and Equipment</b>	<b>Pumping Stations</b>	<b>Total</b>
<b>Cost</b>				
Opening Balance b/fwd	1,655,000	1,821,253	602,500	4,078,753
(+) Additions	0	209,166	0	209,166
(+) Donations	0	0	0	0
(+) Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0
(+) Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	0	0	0	0
(-) Disposals	0	-148,581	0	-148,581
Closing Balance c/fwd	<b>1,655,000</b>	<b>1,881,838</b>	<b>602,500</b>	<b>4,139,338</b>
<b>Depreciation</b>				
Opening Balance b/fwd	0	898,593	0	898,593
(+) Depreciation Charge for year	0	216,323	0	216,323
(-) Depreciation written out to the revaluation reserve	0	0	0	0
(-) Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0
(-) Accumulated depreciation written out on disposal	0	-128,331	0	-128,331
Closing Balance c/fwd	<b>0</b>	<b>986,585</b>	<b>0</b>	<b>986,585</b>
<b>Net Book Value as at 31-3-2021</b>	<b>1,655,000</b>	<b>895,253</b>	<b>602,500</b>	<b>3,152,753</b>

The Board also share ownership of a proportion of the WMAs Shared Fixed Assets, which were last valued by Cruso & Wilkin, Chartered Surveyors, as at 31 March 2018. Such assets have a Net Book Value of zero.

From: 01st April 2021  
 To: 31st March 2022

Period To: 12  
 Year Ended: 31st March 2022

**Note Notes to the Accounts**

**Impairments:**

In accordance with IAS36 and the Code, Management have undertaken an annual impairment review. No assets were considered to be impaired.

- 11 The Bank Account balance will be kept to a minimum following the decision to invest additional working balances on the short term money market. The Bank Account is reconciled as follows:

	2020/21	2021/22
Opening Balance as at 1-4-2020 b/fwd	1,855,249	3,199,046
(+) Receipts	29,567,648	14,327,155
(-) Payments	-28,223,851	-16,014,293
(=) Closing Balance as at 31-3-2021 c/fwd	<b>3,199,046</b>	<b>1,511,908</b>
Balance on Statement as at 31-3-2021	3,481,198	1,736,216
Less: Unpresented Payments	-282,152	-224,582
Add: Unpresented Receipts	0	273
Closing Balance as at 31-3-2021 c/fwd	<b>3,199,046</b>	<b>1,511,908</b>

- 12 Aged Debtor profile is currently as follows:

	2020/21	2021/22	
<b>Debt period</b>	<b>Debtors</b>	<b>Debtors</b>	
<=30 days	1,810	9,131	
>30 days and <=60 days	0	0	
>60 days and <=90 days	0	0	
>90 days	0	0	
	<b>1,810</b>	<b>9,131</b>	
<b>&gt;90 days</b>	<b>Amount</b>	<b>Inv. Date</b>	<b>Originator</b>
	0		

- 13i Assets Under Construction (AUC) is currently made up of the following, which will be capitalised when complete.

Customer	2020/21	2021/22	Estimated Completion Date
Wolferton Costs	5,007,899	5,007,899	31/03/2023
Wolferton Costs (Invoice Accrual)	475	475	31/03/2023
Wolferton 2020/21 Costs	7,013	7,013	31/03/2023
Wolferton 2021/22 Costs	0	163	31/03/2023
Islington Catchment Flood Risk Mgmt Scheme 2018/19 Costs	1,226,035	1,226,035	31/03/2023
Islington Catchment Flood Risk Mgmt Scheme 2019/20 Costs	6,666,458	6,666,458	31/03/2023
Islington Catchment Flood Risk Mgmt Scheme 2020/21 Costs	12,144,943	12,144,943	31/03/2023
Islington Catchment Flood Risk Mgmt Scheme 2021/22 Costs	0	6,611,468	31/03/2023
North Lynn Pumping Station Scheme 2020/21 Costs	421,806	421,806	31/03/2023
North Lynn Pumping Station Scheme 2021/22 Costs	0	229,102	31/03/2023
Pierrepoint Pumping Station Scheme 2020/21 Costs	24,145	24,145	31/03/2023
Pierrepoint Pumping Station Scheme 2021/22 Costs	0	30,998	31/03/2023
New Office, Nar Ouse Way 2020/21 Costs	331,791	331,791	31/03/2023
New Office, Nar Ouse Way 2021/22 Costs	0	2,014,766	31/03/2023
	<b>25,830,566</b>	<b>34,717,062</b>	

From: 01st April 2021  
 To: 31st March 2022

Period To: 12  
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**Note Notes to the Accounts**

13ii Capital Commitments

The 5 year Capital Programme is presented to the Board and approved annually each January. Full details can be found on the website. Capital Commitments are defined as the projected capital expenditure the IDB commits to spending on long term assets over a period of time. The capital commitments undertaken by the Board are Wolferton, Islington, North Lynn and Pierrepont Pumping Stations, detailed below:

Wolferton Pumping Station:	£
Projected Cost of Project	6,029,000
Grant Approved by the EA	1,846,000

Estimated Net Cost to Kings Lynn IDB	<b>4,183,000</b>
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Islington Pumping Station:	£
Projected Cost of Project	26,950,506
Grant Approved by the EA	23,503,506

Estimated Net Cost to Kings Lynn IDB	<b>3,447,000</b>
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North Lynn Pumping Station:	£
Projected Cost of Project	654,993
Grant Approved by the EA	654,993

Estimated Net Cost to Kings Lynn IDB	<b>0</b>
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Pierrepont Pumping Station:	£
Projected Cost of Project	675,073
Grant Approved by the EA	517,545

Estimated Net Cost to Kings Lynn IDB	<b>157,528</b>
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14 Term Deposits are currently as follows:

	2020/21	2021/22
<b>Financial Institution</b>	<b>Capital</b>	<b>Capital</b>
Natwest Treasury	1,000,000	1,000,000
Cambridge Building Society	1,000,000	0
Vernon Building Society	1,000,000	500,000
Newcastle Building Society	1,000,000	1,000,000
West Bromwich Building Society	1,000,000	0
Furness Building Society	0	1,000,000
Cumberland Building Society	1,000,000	0
The Tipton & Coseley Building Society	1,000,000	0
Chorley & District Building Society	1,000,000	0
Saffron Building Society	1,000,000	1,000,000
Principality Building Society	1,000,000	1,000,000
National Counties Building Society	1,000,000	1,000,000
	<b>11,000,000</b>	<b>6,500,000</b>

These Term Deposits have all been included within Cash and Cash Equivalents for the purpose of the Cash Flow Statement. All deposits are held in low risk Building Society accounts, and can be withdrawn with 24 hours notice with no reduction to the principal deposit invested.

15 Special Levies are paid by Constituent Councils in two halves on 1 May and 1 November.

16 Drainage Rates are paid by occupiers of agricultural land and/or buildings. There are currently 82 Ratepayers that have not paid their Drainage Rates for 2021/22, as compared to 84 Ratepayers this time last year. Summarised transactions for Drainage Rates and Special Levies during the year are as follows:

	2020/21	2021/22
Arrears b/fwd	8,657	5,573
Drainage Rates for the year	328,582	335,416
Special Levies for the year	2,000,511	2,041,742
Payments Received	-2,348,362	-2,396,528
Settlement Discount	-1,974	-3,168
Returned/(Represented) amounts	0	1,209
Value /(Decreases)	-13,593	-19,318
Value Increases	9,093	16,156
New Assessments	4,499	3,105
Irrecoverables and write offs	-2,849	-5,062
The East Coastal Management CIC	20,632	20,624
Summons collection costs	0	1,200
Special Levy Adjustment	0	0
Drainage Rate Adjustment	102	142
Paid Refunds	275	17
Rates tidy up after year end	0	0
Arrears c/fwd	<b>5,573</b>	<b>1,106</b>

17 There are no prepayments.

From: 01st April 2021  
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**Note Notes to the Accounts**

18 Capital Grants Received in Advance:

	2020/21	2021/22
SCH30: Islington Catchment Flood Risk Management Scheme	22,472	22,472
SCH42: Islington Catchment Flood Risk Management Scheme	21,606,506	23,503,506
SCH43: Wolferton Flood Risk Management Scheme	1,846,000	1,846,000
SCH45: North Lynn Pumping Station Scheme	654,993	654,993
SCH48: Pierpoint Pumping Station	0	50,000
	<b>24,129,971</b>	<b>26,076,971</b>
Grants Reserve b/fwd at 31.03.2021		24,129,971
Add: Grants Received		1,947,000
<b>Grant Reserve c/fwd at 31.03.2022</b>		<b>26,076,971</b>

SCH42 (Islington) and SCH43 (Wolferton) are the grants received from the Environment Agency for the schemes we are completing for these pumping stations. Wolferton is forecast to spend approximately £5.1million to completion. Full completion and settlement of all the obligations and conditions is anticipated in 2022/23, and will be satisfied once the FCERM5 (Final Statement of Account) and FCERM8 (Project Closure) forms have been submitted to, and accepted by the Environment Agency. We will then be able to recognise this grant income in the Statement of Accounts, and capitalise the pumping station for inclusion in the Fixed Asset Register. Islington is forecast to cost approximately £27million and due to be completed in 2022/23. COVID-19 has delayed works due to the restrictions imposed. We anticipate all obligations and conditions will be satisfied in 2022/23 for purposes of income and asset recognition, and upon submission to, and acceptance by, the EA of the forms FCERM5 and FCERM8.

19 The Reserves are managed in accordance with the Balances and Earmarked Reserves Policy for 2021/22, as approved by the Board on 19 January 2018. This policy is available for viewing on the Board's website.

20 Movements on the General Reserve are made up as follows:

	2020/21	2021/22
Opening Balance, as at 1 April b/fwd	3,270,415	3,729,870
Net Surplus/(Deficit) for the year	332,142	236,450
Net transfer (to)/from Development Reserve	19,313	383
Net transfer (to)/from West Norfolk InterAgency Reserve	-25,000	0
Net transfer (to)/from Capital Works Reserve	0	0
Net transfer (to)/from Pension Reserve	133,000	214,000
Net transfer (to)/from Plant Reserve	0	0
Capital Adjustment Account (Revaluation)	0	0
Closing Balance c/fwd	<b>3,729,870</b>	<b>4,180,703</b>

21 Movements on the Development Reserve:

	2020/21	2021/22
Opening Balance, as at 1 April b/fwd	1,305,023	1,285,710
Net contributions transferred from General Reserve	-19,313	-383
Closing Balance c/fwd	<b>1,285,710</b>	<b>1,285,327</b>

22 Movements on the Capital Works Reserve:

The Capital Works Reserve largely represents the committed cost of capital schemes that the Board has approved in previous years, where suppliers have not actually invoiced for work, due to slippage in the programme or other issues with the contract:

	2020/21	Gen. Reserve	2021/22
N/A	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>

23 The Fixed Plant Reserve and Mobile Plant Reserve:

	2020/21	2021/22
Fixed Plant Reserve	2,021,148	2,021,148
Mobile Plant Reserve	800,000	800,000
Plant Reserve	<b>2,821,148</b>	<b>2,821,148</b>

24 Capital Adjustment Account (Revaluation Reserve):

	2020/21	2021/22
Opening Balance, as at 1 April b/fwd	1,913,477	1,913,477
Revaluation Increase: Islington House	0	0
Closing Balance c/fwd	<b>1,913,477</b>	<b>1,913,477</b>

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**Note Notes to the Accounts**

**25 Pension Liability**

- (i) The Pension Liability is calculated by the Local Government Pension Scheme (LGPS) Fund Actuary at the end of every financial year. It is a notional liability that is shown as a Long Term Liability on the Balance Sheet. This figure is meant to show the extent of the Board's liability at the Balance Sheet date, based on a number of actuarial assumptions. However it is important to note that this sum does not represent an estimate of the exit cost of withdrawing from the LGPS at the Balance Sheet date.
- (ii) The Board is a member of the Water Management Alliance Consortium and as such also has a proportion of the pension liability for the shared staff that are employed by King's Lynn IDB, t/a the Water Management Alliance. The Fund Actuary for Norfolk County Council has prepared a separate Report for the Water Management Alliance, which identifies a notional net pension liability of £4,260,000 as at 31 March 2022 that is shared by all 5 Member Boards. The Board's share of this pension liability is set out every year in the WMAs Basis of Apportionment, which was approved by the Board on 15 January 2021. All 5 member Boards resolved to approve the procedural note for how the pension liability would be dealt with in the event of the WMA ceasing to exist in their first Board Meeting of 2015. It was noted that King's Lynn IDB, as the Lead Board would be responsible for paying the LGPS exit costs to Norfolk County Council, and would collect the proportionate costs due from the other Member Boards as set out in the WMA CMC minutes 47/14/04 to 47/14/07. The same minute was recorded in all 5 Member Boards.

**26 Related Party Disclosures**

- (i) The Board is a full member of Anglia Farmers Ltd, an agricultural purchasing cooperative. Several members of the Board are also shareholders of this organisation. The Board paid Anglia Farmers Ltd £148,130.69 upto 31/03/2022.
- (ii) Board member Mr J Askew is related to Mr R Askew, Director of Richard Askew Agricultural Supplies Ltd, which is one of the Board's suppliers. The Board paid Askew Agricultural Supplies Ltd £6,129.79 up to 31/03/2022.
- (iii) Mr Harvey Howe is employed by the Board as a full time Operative. The Board's Project Manager is related to Harvey Howe.
- (iv) All elected members of the Board pay drainage rates either as individuals, Partners in Partnerships, or as Directors of limited companies; the exact nature of which can be found in the Rate Book as at 1 April 2021.
- (v) The Board is a member of the Water Management Alliance Consortium, who provide administrative services to the Board. The Board has 3 representatives who serve on the Consortium Management Committee, that include the Chairman and Vice Chairman of the Board. The Chairman received £3,500.00 Chairman's Allowance for his duties between 01.11.2021 - 31.10.2022.
- (vi) The Chairman of King's Lynn IDB was also the Leader of the Borough Council of Kings Lynn and West Norfolk Borough Council until May 2022. The BCLKWN pays the largest special levy to the Board, as detailed in Note 1.
- (vii) The Board uses Rating Software for the collection of Drainage Rates known as DRS. This software is owned by South Holland IDB and was developed by Mr P J Camamile, the Chief Executive. The software is supported at no cost to the Board by Byzantine Ltd. Mr P J Camamile is the Company Secretary of Byzantine Ltd and his wife Mrs P Camamile is a Director. Both are shareholders.

**27 Operating Lease Payments**

The Board has one vehicle (two in 2020/21) classified under an Operating Lease. The value of the lease(s) for <12 months is £5,922 (20/21 £11,041.56) and for >12 months is £3,948.00 (20/21 £3,948)

**28 Financial Instruments**

	2020/21	2021/22
Financial Assets: Cash at Bank	£3,199,046	£1,511,908
Financial Assets: Investments	£11,000,000	£6,500,000
Financial Assets: Debtors (Incl Accrued Intt)	£23,414	£15,519
	£14,222,460	£8,027,427
Financial Liabilities: Creditors	£370,610	£408,270
Financial Liabilities: PWLB (Less than 12 Months)	£98,931	£101,821
Financial Liabilities: PWLB (More than 12 Months)	£9,620,806	£9,518,985
	£10,090,347	£10,029,076
Interest Expense: (On PWLB)	£283,968	£281,160
	£283,968	£281,160

**Fair Value of Assets and Liabilities**

The 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. The following assumptions should be noted:

- 1) Fixed Interest Rate of 2.9% Over the 50 year PWLB loan;
- 2) No early repayment or impairment is recognised; and
- 3) The fair value of trade and other receivables is taken to be invoiced or billed amount

**29 Accruals**

March Electricity Accrual	£21,677
Gross Wages, E'er NIC and E'er Pension	£27,634
Audit Accrual	£5,000
Annual Leave	£3,377
	<b>£57,688</b>

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**Note Notes to the Accounts**

**30 Receipts Paid in Advance**

These are payments received by drainage ratepayers between 22.03.2022-31.03.2022 for rates due for the 2022/23 financial year.

**31 Staff Costs**

The Board employed 14 staff members directly in 2020/21 and 14 staff members directly in 2021/22.

	2020/21	2021/22
Employee Remuneration	£452,458	£453,420
Employer Pension Contributions	£92,685	£97,431
Employer National Insurance Contributions	£44,240	£44,275
Annual Leave Accrual	£2,765	£3,377
	£592,148	£598,503

**32 Remuneration Disclosures**

There were no officers or employees earning more than £50,000 per year.

**33 Member Allowances**

There were no Member Allowances paid by the Kings Lynn IDB between 01.04.2021-31.03.2022. The Chairman of the KLIDB is paid an allowance of £3,500 through the Water Management Alliance payroll once a year for his services in the forthcoming financial year. The Chairmans Allowance of £3,500 for 01.04.2021-31.03.2022 was paid on the 15th December 2021.

**34 Norfolk Pension Fund IAS19 at 31.03.2022**

	£'000s	£'000s
<b>Net Cost Of Current Services</b>		
Current Service Costs	177	261
Settlements and past service costs	0	0
	177	261
<b>Net Operating Expenditure</b>		
Interest Cost	71	71
Expected return on assets	-117	-119
	-46	-48
<b>Net Charge to the I&amp;E Account</b>	131	213

Reconciliation of fair value of the scheme assets	2021 £'000s	2022 £'000s
<b>Opening Balance 01st April</b>	<b>5,200</b>	<b>6,222</b>
Expected Rate of Return		
Interest Income	117	119
Employers Contributions	112	118
Contributions in respect of unfunded benefits	3	0
Contributions by scheme participants	33	34
Actuarial gains and (losses)	1130	375
Unfunded benefits paid	-3	0
Benefits Paid	-370	-369
<b>Closing Balance 31st March</b>	<b>6,222</b>	<b>6,499</b>

Reconciliation of fair value of the scheme liabilities	2021 £'000s	2022 £'000s
<b>Opening Balance 01st April</b>	<b>8,245</b>	<b>9,764</b>
Current Service Cost	177	261
Interest Cost	188	190
Contributions by Scheme Participants	33	34
Actuarial (gains) and losses	1494	-490
Unfunded benefits paid	-3	0
Benefits Paid	-370	-369
Past Service Costs	0	0
Losses/(gains) on curtailments	0	0
<b>Closing Balance 31st March</b>	<b>9,764</b>	<b>9,390</b>

	2021 £'000s	2022 £'000s
Estimated liabilities in scheme	-9,764	-9,390
Estimated assets in scheme	6,222	6,499
<b>Net Pension Liabilities</b>	<b>-3,542</b>	<b>-2,891</b>
(Reduction)/Increase in Net Pension Liability	497	-651
(Loss)/Gain on Actuarial Valuations	-364	865
(Charge)/Reduction to I&E	-133	-214



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**Note Notes to the Accounts**

## Financial assumptions

The financial assumptions, as described in the accompanying covering report, are summarised below:

Period Ended	31 Mar 2022	31 Mar 2021
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.30%	2.85%
Salary Increase Rate	4.00%	3.55%
Discount Rate	2.70%	1.95%

As at the date of the most recent valuation, the duration of the Employer's funded obligations is 16 years.

## Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.1 years
Future Pensioners*	22.9 years	26.0 years

\* Figures assume members aged 45 as at the last formal valuation date.

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements are shown below:

Current Pensioners	Future Pensioners
Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.	Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value the Obligations in the Employer's Opening Position.

A commutation allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

All other demographic assumptions are as per the latest funding valuation of the Employer.

## Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme obligations are set out below:

Change in assumptions at 31 March 2022:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	1%	140
1 year increase in member life expectancy	4%	376
0.1% increase in the Salary Increase Rate	0%	10
0.1% increase in the Pension Increase Rate (CPI)	1%	129

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The provided sensitivity figures can be used to estimate the impact of adopting different financial assumptions (e.g. an Employer considering alternative accounting assumptions or to help an Employer complete an ESFA accounts return). For further details on this, please refer to the accompanying accounting covering report.

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme obligations at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

## 38 Going Concern

The CIPFA Code confirms that Local Authority accounts must be prepared on a going concern basis. The Corona Virus pandemic and restrictions have caused significant issues for many businesses across the UK. We managed to ensure our operating activities and administration carried on as usual, and the effect on the Kings Lynn Internal Drainage Board was minimal. We have carried out an assessment of the impact of COVID-19 on our future activities and finances and are satisfied there is no material uncertainty relating to the IDB's going concern.



## **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, useable 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. 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.

**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.

**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.

**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.

**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'