

# STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2015

Kettlewell House Austin Fields Industrial Estate Kings Lynn Norfolk PE30 1PH



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# NOTE ACCOUNTING POLICIES

# 1 FINANCIAL REPORTING STANDARDS, REGULATION AND GUIDANCE

- (i) The Board has not elected to prepare a full Statement of Accounts required by larger public bodies, as provided for in Regulation 12(b) of the Accounts and Audit Regulations 2011.
- (ii) The Board has completed this Statement of Accounts in accordance with the Financial Reporting Standard for Smaller Entities 2008 (FRSSE) issued by the Accounting Standards Board and has prepared an Annual Return, which smaller bodies are required to do, in accordance with Regulation 12(a) of the Accounts and Audit Regulations 2011, based on these Accounts.
- (iii) The Annual Return has been prepared in accordance with proper practices that are set out in Parts 1 to 3 of the Guidance published by the Association of Drainage Authorities in 2008. This Statement of Accounts therefore includes the Accounting Statement reported on the Annual Return, which has been reconciled to the Income and Expenditure Account and Balance Sheet stated herein.

# 2 ACCOUNTING CONCEPTS

These accounts have been prepared in accordance with the following accounting concepts:

Going Concern Prudence Accruals

# 3 FIXED ASSETS

- (i) Fixed Assets are recognised as expenditure on the acquisition, creation or enhancement of fixed assets. Most assets with estimated useful economic lives in excess of one year and a value of £5,000 or above are capitalised on an accruals basis in the Accounts.
- (ii) All fixed Assets are valued on the following basis:

Land and buildings are included in the balance sheet at lower of net current replacement cost and net realisable value, net of accumulated depreciation. Net current replacement cost is assessed as:

Non-specialised operational properties - existing use value

Specialised operational properties - depreciated replacement cost

Vehicles, plant and equipment are included at cost less depreciation

- (iii) Disposals are written off at cost less depreciation. Any surplus/deficit arising is charged/credited to Exceptional Items in the Income and Expenditure Account.
- (iv) Depreciation has been provided for using the straight line method.
- (v) The useful lives of the various assets held on the Fixed Asset Register are as follows:

Motor Vehicles and Equipment: 3 years Excavators and Tractors: 5 years Specialist Plant and Equipment: <= 10 years Land: not depreciated



# NOTE ACCOUNTING POLICIES

Buildings: 20 years

# 4 STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost or net realisable value.

# 5 GOVERNMENT GRANTS AND SUBSIDIES

Government grants and contributions have been credited to the Income and Expenditure Account on an accruals basis.

# 6 PENSIONS

- (i) The Board is a member of the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. This is a funded defined benefit final salary pension scheme, meaning that the Board and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Board has paid a contribution of 20% on employees pensionable pay into the pension fund during 2014/15.
- (ii) The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the Income and Expenditure Account in order to spread the cost over the service lives of employees in the scheme. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.
- (iii) The Board's pension liability has been calculated by the fund actuary as set out in the accompanying report entitled: 'Actuarial Valuation as at 31 March 2015 for FRS17 Purposes'.

# 7 TAXATION

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

# 8 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

- (i) There are no material exceptional or extraordinary items to disclose in the Accounts.
- (ii) Profits or losses on the disposal of fixed assets are shown separately on the face of the Income and Expenditure Account prior to the Operating Net Surplus/(Deficit).

# 9 INCOME RECOGNITION

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

# 10 FINANCE LEASES

The Board has not taken on any Finance Leases during the accounting period.



# NOTE ACCOUNTING POLICIES

# 11 RESERVES

The Board holds the Reserves as itemised below. The adequacy of these Reserves is reviewed by the Board annually. The purpose of the Reserves can be noted in the Board's Capital Financing and Reserves Policy:

http://www.wlma.org.uk/uploads/NRIDB\_Capital\_Financing\_and\_Reserves\_Policy.pdf

This policy is reviewed by the Board triennially.

- (i) General Reserve
- (ii) Development Reserve
- (iii) Mobile Plant Renewals Reserve
- (iv) Revaluation Reserve
- (v) Pension Reserve

# PUBLIC SECTOR

Actuarial Valuation as at 31 March 2015 for FRS17 purposes

**Norfolk Pension Fund** 

April 2015

Robert Bilton

Fellow of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP



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# 1 Introduction and summary

# Scope

- I have been instructed by the Administering Authority named in the accompanying Results Schedule to undertake estimated projected pension expense calculations for the Employer named in the Results Schedule, for the purpose of complying with Financial Reporting Standard 17 ("FRS17") ("the Accounting Standard") for the period ending 31 March 2015. The instruction is set out in the Terms of Engagement letter (see Results Schedule for date of signature). These calculations relate principally to the Employer's participation in the Norfolk Pension Fund ("the Fund") which is part of the Local Government Pension Scheme ("the LGPS"). See paragraph 15 for further details.
- 2 These figures are prepared in accordance with our understanding of the latest version of FRS17, published in November 2000. My calculations and advice, in this report and the accompanying Results Schedule, have been carried out in accordance with the Pensions Technical Actuarial Standard adopted by the Financial Reporting Council, which came into effect on 1 January 2013 (version 2), and other TASs: see 4.1. This report does not constitute an audit opinion in relation to the Fund. This constitutes a "valuation exercise", as the results of my calculations will be formalised in the Employer's financial statements.
- 3 FRS17 requires that actuarial gains and losses are recognised through a Statement of Total Recognised Gains and Losses (STRGL) in the period in which they occur.
- 4 Under accounting guidance, employers are expected to disclose the sensitivity of the valuation to key assumptions, and the required information is contained in section 4 of this report.

# **Results**

- 5 The results of our calculations for the period ended 31 March 2015 and the projected net pension cost for the year ended 31 March 2016 are set out in the Results Schedule.
- 6 The significant changes that have taken place during the year for a typical employer in the Fund are that:
  - the deficit has increased due to falling real bond yields;
  - this has been partially offset by strong asset returns; and
  - the projected pension expense for next year has also risen due to falling bond yields.
- 7 Please let me know if the Employer wishes to discuss the contents of this report or if, having considered the results, the Employer wishes to consider alternative assumptions. Note that this is likely to incur additional fees. As noted above, the impact of varying certain key assumptions is illustrated in section 4.

# **Reliances and limitations**

- 8 This report (including the accompanying Results Schedule) is provided to the Employer solely for the purpose of complying with the Accounting Standard for the period ending 31 March 2015. It should not be used for any other purpose and in particular should not be used for actual disclosures. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. However, a copy of this report may be passed to the Employer's auditor to be used solely for the purpose of their audit.
- 9 We accept no liability to any third party unless we have expressly accepted such liability in writing.

- 10 Note that the methodology of the Accounting Standard, in conjunction with the Fund's investment strategy, means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than 31 March 2015.
- 11 The figures presented in this report are prepared only for the purposes of FRS17 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under any other standard, for bulk transfers or for other statutory purposes under LGPS Regulations.
- 12 The last formal valuation of the Fund was carried out as at 31 March 2013. We have projected the results of this valuation forward using approximate methods. Further comments in relation to this can be found in section 2.
- 13 The data with which we have been provided for this exercise is summarised in section 3. Where yearend information is not readily available, we have assumed that actual experience since 31 March 2013 has been in line with our expectations at that valuation.
- 14 The projected pension expense calculations for the year to 31 March 2016 may be used for the purpose of any interim financial reporting during the year to 31 March 2016. However, subsequent adjustments may be necessary to take account of:
  - any material events, such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund;
  - any changes to accounting practices; or
  - any changes to the Fund.
- 15 The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013. It is contracted out of the State Second Pension.
- 16 This report and the Results Schedule deal principally with pension benefits provided via the LGPS. However, the Accounting Standard also requires the disclosure of any additional liabilities, for example, those in respect of additional pensions paid on retirement under the Discretionary Payment Regulations ("compensatory added years pensions")<sup>1</sup>. I have only valued such additional liabilities, which would not be covered in the formal LGPS funding valuation, to the extent that they have been notified to me and are summarised in the Results Schedule.
- 17 I have not been notified by the auditor to the Employer of the materiality limits which apply to the Employer and I have therefore prepared these figures using methods which are as accurate as is feasible using the data made available to me and the timescale within which the report is required.

<sup>&</sup>lt;sup>1</sup> The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 were revoked on 1 October 2006. However, this revocation had no effect on any benefits granted under those Regulations.

# **Next steps**

The information set out in this report and Results Schedule should be included in a disclosure note in the Employer's report and accounts. Please let me know if the Employer would like us to assist in drafting this note.

I would be pleased to discuss this report with the Employer and its auditors.

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Robert Bilton FFA For and on behalf of Hymans Robertson LLP 30 April 2015

# 2 Approach

# Valuation method

- 1 As required under the Accounting Standard we have used the projected unit credit method of valuation.
- 2 No allowance has been made for administration expenses in the present value of the defined benefit obligation, or the balance sheet. Expenses are allowed for by way of increase in the current service cost.
- 3 The last formal valuation of the Fund was carried out as at 31 March 2013. We have projected the results of this valuation forward to 31 March 2015 using approximate methods (unless otherwise stated in the Results Schedule). The roll-forward allows for:
  - changes in financial assumptions;
  - additional benefit accrual;
  - actual pension increase orders;
  - estimated cash flows over the period; and
  - membership information as summarised in Section 3.
- In order to assess the value of the Employer's liabilities in the Fund as at 31 March 2015 (unless otherwise stated in the Results Schedule), I have rolled forward the value of the Employer's liabilities calculated at the latest formal valuation, allowing for the different financial assumptions required under the Accounting Standard at the accounting date. In calculating the current service cost I have allowed for changes in the Employer's pensionable payroll as estimated from either contribution or payroll information provided. In calculating the asset share, I have rolled forward the Employer's share of the assets allocated as at the latest valuation, allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the Employer and its employees.
- 5 In preparing the balance sheet at 31 March 2015 and the revenue account to 31 March 2015, no allowance is made for the effect of and changes in the membership profile since 31 March 2013 (unless otherwise stated in the Results Schedule). The principal reason for this is that insufficient information is available to allow me to make any such adjustment. However, for most employers, the effect is likely to be immaterial in actuarial terms. If there have been significant changes (e.g. a large number of new entrants) since 31 March 2013, the Employer should discuss with its auditor whether an investigation into the effect on the balance sheet and service cost for 2014/2015 is required.
- 6 Whilst the liabilities calculated under the Accounting Standard include an allowance for some premature retirements on grounds of ill-health, there is no allowance for early retirements on grounds of redundancy or efficiency other than those actual cases of which I have been notified.
- 7 It is not possible to assess the accuracy of the estimated rolled-forward liability shown in the Results Schedule without conducting a full valuation. Such a valuation is generally not practical in the time available to meet the Employer's reporting requirements. The estimated liability will not reflect differences in demographic experience from that assumed (e.g. pensioner longevity) or the impact of differences between aggregate changes in salary and pension and changes for specific individuals.
- 8 Whilst we have no reason to believe that the approximations used in rolling forward the 31 March 2013 valuation to 31 March 2015 introduce any undue distortion in the results, the Employer and its auditors may wish to consider the size of the Fund's assets and liabilities in relation to the Employer's materiality limits. The Results Schedule will state if a full valuation has been carried out instead of a roll-forward.
- 9 For employers whose separate membership of the Fund started during the year:

- The Results Schedule relates to the part year from date of joining to 31 March 2015.
- The initial asset allocation used for accounting purposes (and in calculation of the opening funding level) will supersede any initial asset allocation previously quoted. However, if the calculations carried out in the past (contribution rate, etc) were based on final data and final assumptions as at the date of joining then the initial asset allocation used will be in line with that which was previously quoted.
- The liability value reported in the Results Schedule will differ from those in any previous reports related to the employer due to the different assumptions adopted under the Accounting Standard, compared to funding assumptions used for setting contribution rates etc.

# FRS 102

10 On 14th March 2013, the Financial Reporting Council issued FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, which sets out the accounting and reporting requirements for unlisted entities. It replaces the majority of current UK accounting standards (including FRS17). FRS102 first applies to accounting periods beginning on or after 1 January 2015, although early adoption is permitted, meaning that for March employers the new FRS102 accounting standard will come into effect for the financial year to 31 March 2016.

The projected pension expense for the year to 31 March 2016 has been prepared on the new FRS102 basis. In particular, the Expected Return on Assets assumption has been set in line with the discount rate, as required.

An appendix showing the impact of FRS102 has also been provided in the schedule of results to help employers who will be reporting on FRS102 next year. Further information of the impact of FRS102 is available on request.

I am aware that certain employers may continue to report under FRS17 next year. For FRS17 reports, the Expected Return on Assets assumption will continue to be based on the long-term future expected investment return for each asset class as at the beginning of the period (details are provided in section 4.13 below).

We recommend that employers consult with their auditor to consider which standard is appropriate ahead of the 31 March 2016 accounting exercise.

# 3 Data and information used

# **Benefit changes**

The pension expense for the period to 31 March 2015 and the projected pension expense for the year to 31 March 2016 allow for the new LGPS benefit design (CARE), implemented for service from 1 April 2014. The figures are based on my understanding of the provisions of the Fund and are subject to change as any changes are made to the Fund.

# **Data sources**

- 2 Our calculations are based on the following information and documents, all provided by the Administering Authority:
  - the individual membership data submitted as at 31 March 2013 for the purpose of the formal funding valuation at that date (or, for employers which have joined the Fund after 31 March 2013, membership data as at the date of joining). Alternatively, if the Results Schedule states that a roll-forward approach has not been used, the individual membership data submitted for this accounting purpose;
  - the individual pensioner member data in respect of LGPS unfunded pensions and Teachers' pensions where appropriate;
  - the latest numbers of employees, deferred pensioners and pensioners;
  - actual payroll information up to the latest available date;
  - employer and employee contributions up to the latest available date and payroll data if available (in order to estimate contribution income and pensionable payroll for the accounting period)<sup>2</sup>;
  - the actual split of Fund assets as at the latest available date;
  - the actual Fund returns provided up to the latest available date;
  - the bid value of the Fund assets as at the latest available date; and
  - any new early retirements from 1 April 2014 to the latest available date on unreduced pensions which are not anticipated in the normal employer service cost (e.g. non ill-health retirements before the earliest retirement age at which all the member's benefits can be taken unreduced), as set out in Section 1 of the Results Schedule.

# Employer membership data

- 3 The membership data as at the last valuation (or at date of joining, for new employers), from which this year's results are rolled forward and the latest available membership data is summarised in the Results Schedule.
- 4 Details of the new early retirements from 1 April 2014 to the latest available date not allowed for in the formal valuation or the assumptions are summarised in the Results Schedule.

# Assets and investment returns

5 Details of the return on the Fund over the year and the Fund's assets at the year end are set out in the Results Schedule.

# **Unfunded benefits**

6 Details of any unfunded benefits are set out in the Results Schedule.

<sup>&</sup>lt;sup>2</sup> Benefit expenditure is estimated from the data used for the previous formal valuation. I have assumed that all other income and expenditure (e.g. individual transfers) do not have a material impact on the estimated asset share as at 31 March 2015.

# **Additional comments**

7 Any specific comments on the data provided in respect of the Employer are set out in the Results Schedule.

# 4 Actuarial assumptions

# **Reliances and limitations**

1 My advice to the Employer on the assumptions (and resulting draft disclosures) to be adopted for the purpose of the Accounting Standard is compliant with the Pensions Technical Actuarial Standard, TAS D – Data, TAS M – Modelling and TAS R – Reporting <sup>3</sup>. This report, the attached Results Schedule and our briefing note (which is attached to this report as an appendix) comprise the totality of my advice on the assumptions: these documents show my recommendations, and the Results Schedule will show if I have been instructed by the Employer to use different assumptions.

# **Accounting principles**

I have been advised of the accounting principles adopted by the Employer in preparing its accounts (see Results Schedule). The report and Results Schedule have been prepared in line with my understanding of the relevant guidance. The Employer should confirm adherence of the guidance with its auditor.

# Responsibility

3 The assumptions are ultimately the responsibility of the directors (or equivalent) based on actuarial advice. Where we have been instructed to use different assumptions to those recommended, details are given in the Results Schedule.

# **Demographic assumptions**

- 4 The mortality assumptions adopted for this year's exercise are consistent with those used for the formal funding valuation as at 31 March 2013. Please refer to the valuation report for further information.
- 5 The post-retirement mortality assumptions that I recommend this year are in line with our Club Vita analysis which was carried out for the formal funding valuation as at 31 March 2013. These are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund and are based on the data provided to us for the purposes of the last formal valuation. Improvements have been applied that are in line with the CMI 2010 assuming the rate of longevity improvements has reached a peak and will converge to a long term rate of 1.25% p.a.
- 6 The other demographic assumptions which I recommend are adopted (e.g. commutation, pre-retirement mortality) are the same as those used for the formal funding valuation as at 31 March 2013. Full details of these assumptions are set out in the formal valuation report.

<sup>&</sup>lt;sup>3</sup> Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

# **Financial assumptions**

7 The financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2015 were those from the beginning of the year (i.e. 31 March 2014) and have not been changed during the year. My recommended assumptions at 31 March 2015 for disclosure of the funded status under the Accounting Standard as at 31 March 2015 are summarised below along with those at 31 March 2014.

	Weighted Average Duration			
	Short	Medium	Long	
Period Ended	31 Mar 2015	31 Mar 2015	31 Mar 2015	
	% p.a.	% p.a.	% p.a.	
Pension Increase Rate	2.1%	2.4%	2.5%	
Salary Increase Rate	3.0%	3.3%	3.4%	
Expected Return on Assets	3.1%	3.2%	3.3%	
Discount Rate	3.1%	3.2%	3.3%	

	Weighted Average Duration			
	Short	Medium	Long 31 Mar 2014	
Period Ended	31 Mar 2014	31 Mar 2014		
	% p.a.	% p.a.	% p.a.	
Pension Increase Rate	2.6%	2.8%	2.9%	
Salary Increase Rate	4.4%	4.6%	4.7%	
Expected Return on Assets	5.8%	5.8%	5.8%	
Discount Rate	4.1%	4.3%	4.3%	

For employers that have joined the Fund since the latest formal valuation, details of the financial assumptions at the date of joining are given in Section 2 of the Results Schedule.

Please note the projected expected return as at 31 March 2015 is set equal to the discount rate (as per the forthcoming FRS102 revisions).

# **Discount rate**

8 FRS17 states that liabilities should be discounted at a rate equivalent to the "current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities". It further defines a high quality corporate bond as one that "has been rated at the level of AA or equivalent status".

My recommended approach to setting the discount rate as at 31 March 2015 follows the same principles to those adopted at 31 March 2014. However it has changed in one main way; where at 31 March 2014 a Corporate Bond yield curve was constructed based solely on the constituents of the iBoxx £ Corporate AA index using the UBS delta curve fitting methodology, at 31 March 2015 I have adopted an approach whereby a Corporate Bond yield curve is constructed in the following manner:

- Use the UBS corporate bond curve (derived by applying the UBS delta curve fitting methodology to the constituents of the iBoxx £ Corporates AA index) for durations up to 8 years;
- From 12 years onwards use a gilts curve plus a long term average credit spread of 0.9% p.a.;
- Interpolate between the two approaches for durations between 8 and 12 years.

Separate discount rates (and corresponding RPI/CPI inflation assumptions) are then set for individual employers, dependent on their own weighted average duration. This is consistent with last year's approach. Each employer is allocated to a duration category, as defined below:

Weighted average duration	Discount rate category		
Less than 17 years	Short		
Between 17 and 23 years	Medium		
More than 23 years	Long		

The weighted average duration used to identify the appropriate category for each employer is that determined at the most recent actuarial valuation and shown in Section 1 of the Results Schedule.

# **Retail Price Inflation (RPI) assumption**

9 This assumption is typically derived from yields available on fixed interest and index linked government bonds, and should be consistent with the derivation of the discount rate.

For consistency with the assessment described in paragraph 4.8 above, my recommended RPI inflation assumption for each discount rate category defined above has been identified at appropriate durations from the Bank of England implied inflation curve as at 31 March 2015.

# Pension increase assumption

10 The pension increase assumption, as with the accounting exercise in the previous year, will be in line with the Consumer Prices Index (CPI). The CPI assumption is calculated as RPI less 0.9% p.a., with RPI being calculated as outlined above.

Note that I am increasing my assumption of the gap between RPI and CPI compared to the previous FRS17 exercise (from 0.8% p.a. to 0.9% p.a.). This change reflects the accumulation of evidence from the Office for National Statistics (ONS) about the 'formula effect', the key component of the difference between RPI and CPI. The ONS publish the size of this effect on a monthly basis and over the last four years it has varied from 0.8% p.a. to 1.0% p.a. Based on this evidence, I have increased my RPI-CPI gap assumption to 0.9% p.a.

# Salary increase assumption

11 The salary increase assumption has been set to be consistent with the most recent formal valuation. As at 31 March 2015, the long term pay growth assumption is RPI. An additional allowance has also been made for promotional salary increases.

# **Expected return on assets**

- 12 The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2014 for the year to 31 March 2015, or date of joining the fund if later).
- 13 The Accounting Standard requires that the expected return on assets is set by the Employer having taken actuarial advice. Details of the expected returns I recommend as at 31 March 2015, along with comparative figures as at 31 March 2014 are set out below.

	Weighted Average Duration							
	Short	Short Medium Long						
Period Ended	31 Mar 2015	31 Mar 2015	31 Mar 2015	31 Mar 2014				
	% p.a.	%p.a.	% p.a.	%p.a.				
Equities	3.1%	3.2%	3.3%	6.7%				
Bonds	3.1%	3.2%	3.3%	3.9%				
Property	3.1%	3.2%	3.3%	4.8%				
Cash	3.1%	3.2%	3.3%	3.7%				

The expected return on assets assumption is set equal to the discount rate (as per the forthcoming introduction of FRS102). The above only applies to employers who will report under FRS102 next year.

14 For employers who will continue to report under FRS17 next year, the Expected Return on Assets assumption will remain based on the long-term future expected investment return for each asset class. Details of the expected returns I recommend as at 31 March 2015, along with comparative figures as at 31 March 2014 are set out below.

Weighted Average Duration							
	Short Medium Long						
Period Ended	31 Mar 2015	31 Mar 2015	31 Mar 2015	31 Mar 2014			
	% p.a.	% p.a.	% p.a.	% p.a.			
Equities	5.7%	5.7%	5.7%	6.7%			
Bonds	2.7%	2.7%	2.7%	3.9%			
Property	3.9%	3.9%	3.9%	4.8%			
Cash	2.6%	2.6%	2.6%	3.7%			

Further details of the derivation of the expected rates of return above are set out in Appendix 2.

- 15 The assumed returns are net of investment expenses. The expected return on plan assets shown in the table above does not include a deduction for the expected administration costs of the Fund: these are reflected in the current service cost instead.
- 16 For employers which have joined the Fund since the latest formal valuation, details of the expected returns are given in section 2 of the Results Schedule.

# **Reasonableness of assumptions**

17 There is a range of actuarial assumptions which are acceptable under the requirements of the Accounting Standard, particularly in respect of the expected return on equities. I consider that the assumptions above are within the acceptable range and are thus consistent with the requirements of the Accounting Standard. Where I have been instructed by the employer to use different assumptions, these are shown in the Results Schedule: it is possible that these fall outside the range which I consider to be acceptable.

# Sensitivity to assumptions

- 18 Accounting guidance requires disclosure of the sensitivity of the results to the methods and assumptions used.
- 19 The costs of a pension arrangement require estimates regarding future experience. The financial assumptions used for reporting under the Accounting Standard are the responsibility of the directors (or similar) of the Employer. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment), can have a significant effect on the value of the liabilities reported.
- 20 A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude.
- 21 There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.
- 22 The disclosures have been prepared using longevity assumptions as per paragraph 5. Based on these assumptions, average life expectancies at age 65 are shown in the Results Schedule.

23 Details of the effect on the Fund of the changes in the above assumptions are displayed in the Schedule of Results (Section 6 – Sensitivity Analysis).

# **Risks and uncertainties**

- 24 There are risks and uncertainties associated with whatever assumptions are adopted. The Accounting Standard requires the assumptions to be determined on a 'best estimate' basis. However, the assumptions are in effect projections of future investment returns and demographic experience many years into the future and there is inevitably a great deal of uncertainty inherent in what constitutes 'best estimate' with such projections. For the purpose of this report, I have interpreted best estimate to mean that the proposed assumptions are 'neutral': there is in my opinion an equal chance of actual experience being better or worse than the assumptions proposed.
- 25 It is also important to note that the Accounting Standard requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such, the figures illustrated in the Results Schedule are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of contributions to fund the Employer's obligations to the Fund. Also, the balance sheet position may change significantly due to relative changes in the equity and bond markets at the reporting date.
- 26 The main risk to the Employer is that it determines assumptions that are more prudent (for example a lower net discount rate, lower expected returns on assets, higher longevity) than its peers, leading to a relatively poorer reported financial position. The Employer therefore needs to take into account both the requirement for a 'best estimate' set of assumptions and the commercial need not to overstate the pension liabilities.
- 27 There is also a risk that the Employer determines assumptions which are less prudent than its peers. This does not have an impact on the underlying cost of the Fund nor the level of contributions that will be derived from future funding valuations. However, analysts and other users of the accounts may take a view that the Employer is understating its pension liabilities if it uses weaker assumptions and this may have adverse consequences.
- 28 I have not addressed any risks to the Fund itself. Such advice would generally be given to the Administering Authority by the Fund Actuary through the actuarial valuation process.

# 5 Miscellaneous matters

# Past service costs

- Past service costs can arise from the Employer awarding discretionary benefits e.g. added years augmentation or allowing LGPS employees to retire on unreduced benefits before attaining their "Rule of 85" age (subject to a minimum of age 60 and a maximum age of 65) on grounds of efficiency.
- 2 Details of any such retirements are summarised in Section 1 of the Results Schedule and any Past Service Costs are set out in the Revenue Account figures in Section 4 of the Results Schedule. These represent the difference between an active member reserve and the actual early retirement reserve both calculated at the time of early retirement based on year-end assumptions. Note that these costs relate only to LGPS benefits and not other elements such as redundancy lump sums.

# **Curtailments**

- 3 My calculations take into account the cost arising from early payment (i.e. before "Rule of 85" age) of accrued pensions (including augmentations) in respect of any redundancies effected during the period ended 31 March 2015.
- 4 Details of any such retirements are summarised in Section 1 of the Results Schedule and any Curtailment Costs are set out in the Revenue Account figures in Section 4 of the Results Schedule.

# **Settlements**

5 My calculations do not take account of any liabilities being settled at a cost materially different to the Accounting Standard reserve during the period ended 31 March 2015, other than as set out in the Results Schedule.

# **Gains and losses**

6 As noted in Section 1, FRS17 requires the employer to immediately recognise actuarial gains and losses, through a Statement of Total Recognised Gains and Losses, in the period in which they occur.

# **Actual Asset return**

7 It is worth noting that the expected asset return plus the gain/loss on assets will not always equal the actual return shown on the results schedule. This will typically arise due to the 'recalibration' at each formal funding valuation.

# **Bulk transfers**

8 My calculations do not take account of any bulk transfers (in or out) since the Employer's previous Accounting Standard valuation as at 31 March 2014 (or following the date of joining for new employers), other than as set out in the Results Schedule.

# **Recognition of surplus/deficit**

- 9 The Accounting Standard imposes a limit on the maximum amount of surplus which can be recognised on the employer's balance sheet. In broad terms, surplus can only be recognised to the extent that it is no greater than the present value of the liability expected to arise from future service by current and future scheme members less the value of future employee contributions. Where this situation **may** apply, this is indicated on the front page of the Results Schedule and further calculations may be required before publishing the results in the employer's formal accounts.
- 10 My understanding is that the Employer has a "constructive obligation" to fund any deficit allocated to its share of the Fund and it should therefore fully recognise the whole of any deficit.

# **Deferred tax**

11 No allowance has been made for deferred tax, and the appropriate treatment in respect of this should be agreed with the Employer's auditors.

# **Results and disclosures**

# 12 FRS12

Some employers may account for their unfunded pensioners under FRS12 instead of FRS17. For simplicity, we have included all unfunded liabilities in our FRS17 disclosures. However, we are happy for employers to move the unfunded results to an FRS12 section of their accounts if they wish and the figures will be unaffected.

# Appendix 1 – Glossary of terms

Actuarial gains and losses	Over a reporting period, these consist of: - experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report; and -the effects of changes in actuarial assumptions
Current service cost	The increase in the present value of the defined benefit obligation resulting from employee service in the current period. This is based on the employer's "service cost" rate which accounts for the cost to the employer of benefits accruing over the period allowing for market conditions at the outset of the period. This may differ from what the employer is currently paying in cash contributions based on the certified rates at the last formal valuation.
Curtailment	Occurs when an entity either: -is demonstrably committed to make a material reduction in the number of employees covered by a defined benefit plan; or -amends the terms of a plan such that a material element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.
Expected return on assets	The expected increase during a period in the value of assets, based on values and long term expected returns as at the start of the period. For further details of the derivation of this assumption, see Appendix 2.
Interest cost	The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to payment.

Past service cost	The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).
Present value of defined benefit obligation	The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
Settlement	Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.
Vested employee benefits	Employee benefits that are not conditional on future employment.
Weighted Average Duration	The weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. The shorter the duration, the more 'mature' the employer.

# Appendix 2 – Long term expected return assumptions

FRS17 requires employers with defined benefit pension obligations to disclose the expected return on pension fund assets as a credit against interest costs on the liabilities in the "other finance income" element of the Revenue Account. FRS17<sup>4</sup> states:

The average rate of return, including both income and changes in fair value...expected over the remaining life of the related obligation on the actual assets held by the scheme.

The asset return assumptions under FRS17 are the responsibility of the company directors or equivalent. The figures shown in our standard FRS17 report for Fund employers are based on our recommended return assumptions which we derived from the Hymans Robertson Asset Model (HRAM), the proprietary stochastic asset model developed and maintained by Hymans Robertson LLP.

# Asset model

The HRAM type of model is known as an economic scenario generator and uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. Some of the parameters of the model are dependent on the current state of financial markets and are updated each month (for example, the current level of equity market volatility) while other more subjective parameters do not change with different calibrations of the model.

Key subjective assumptions are:

- the average excess equity return over the risk free asset (tending to approximately 3% p.a. as the investment horizon is increased),
- the volatility of equity returns (approximately 18% p.a. over the long term) and the level and volatility of yields, credit spreads, inflation and expected (breakeven) inflation, which affect the projected value placed on the liabilities and bond returns.
- The output of the model is also affected by other more subtle effects, such as the correlations between economic and financial variables.

While the model allows for the possibility of scenarios that would be extreme by historical standards, including very significant downturns in equity markets, large systemic and structural dislocations are not captured by the model. Such events are unknowable in effect, magnitude and nature, meaning that the most extreme possibilities are not necessarily captured within the distributions of results.

Given the context of this modelling, we have not undertaken any sensitivity analysis to assess how different the results might be with alternative calibrations of the economic scenario generator.

We would be happy to provide fuller information about the scenario generator, and the sensitivities of the results to some of the parameters, on request.

# **Expected rate of returns**

The expected returns shown in this report have been calculated using 5,000 simulations of HRAM, calibrated using market data as at a recent date.

<sup>&</sup>lt;sup>4</sup> Paragraph 2

Please note that whilst we comment that the returns shown are "expected", this identifies the level at which 50% of all possible outcomes will be above and 50% will be below – this does not mean that the return quoted is in any way the "most likely" outcome.

The only exception to the use of HRAM is in deriving the expected return on bond assets: instead of the HRAM output, I have used the yields applicable at the accounting date on suitable bond indices.

# **General risk warnings**

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

# Appendix 3 – Briefing Note on Assumptions

# HYMANS # ROBERTSON

# briefing house the second sec

February 2015



Steven Scott Actuary

# Local Government Pension Scheme: Accounting Assumptions for 31 March 2015

This briefing note has been prepared by Steven Scott of Hymans Robertson's Public Sector Practice specifically for employers participating in the LGPS to outline the approach to deriving our recommended FRS17/IAS19 assumptions as at 31 March 2015. We recommend that this paper is shared with all employers in the Fund with March year ends. This will allow employers to discuss our approach with their auditors and identify any issues in advance of the FRS17/IAS19 exercise. We hope this will limit the number of queries and also minimise any rework required at a late stage in the process - both of which could incur additional costs. For the avoidance of doubt, the approach to assumption setting outlined in this briefing note applies to both FRS17 and IAS19 disclosures (unless otherwise stated). We also propose that the same approach be adopted for unfunded liabilities.

We have discussed the approach to set our recommended assumptions with the Audit Commission, who have not raised any significant concerns with this.

# Changes in market conditions since 31 March 2014

The change in market conditions since 31 March 2014 is expected to lead to a lower net discount rate as at 31 March 2015. This would increase the value placed on the FRS17/IAS19 liabilities.

At the end of January 2015, the change to the net discount rate for a typical LGPS employer over the period from 31 March 2014 was a fall of around 0.8%. Over the same period, asset returns have been greater than expected and this may go some way to offset any increase in liabilities.

Ultimately, the impact could vary significantly between individual employers although it is likely that most, based on current market conditions, will see a deterioration in their balance sheet over the 2014/15 year.

Any market movements between now and 31 March 2015 could change this further.



We recommend that each employer should discuss the proposed assumptions with their auditor.

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### Background to FRS17/IAS19 assumptions

As for any actuarial calculation, the value of the liabilities for FRS17/IAS19 purposes is heavily dependent on the assumptions underpinning the calculations. If they are not already, employers should be aware that, ultimately, they are responsible for the assumptions used.

For example, FRS17 states:

The assumptions underlying the valuation should be mutually compatible and lead to the best estimate of the future cash flows that will arise under the scheme liabilities. The assumptions are ultimately the responsibility of the directors (or equivalent) but should be set upon advice given by an actuary.

Any assumptions that are affected by economic conditions (financial assumptions) should reflect market expectations at the balance sheet date.

For a number of reasons, principally cost and employer timescales, we have historically recommended a standard set of assumptions as at a given date for all employers within the LGPS. (This is subject to any specific guidelines for any group of employers, such as Government agencies who follow the Financial Reporting Manual guidance). However, FRS17/IAS19 has become increasingly important to employers and we understand that auditors' guidance now requires them to go beyond simply accepting the actuary's calculations as the work of an expert.

We welcome the greater interest in the assumptions being taken by employers and their auditors. However, in order to maintain service standards and contain costs, our default approach is that reports for employers with the same year-end and similar maturity profile are processed using the same assumptions. We believe that this approach remains appropriate for the majority of employers, particularly local authorities and other public sector bodies.

Corporate entities for whom FRS17/IAS19 affects decision-making may take a different view; the additional costs associated with adopting bespoke assumptions are possibly worthwhile for them. It should also be noted that Hymans Robertson fees for LGPS employers are a fraction of those for sponsoring employers of stand-alone private sector schemes; this is due to the efficiencies and economies of scale which Hymans Robertson has put in place for your benefit.

An employer in the Fund and its auditor may decide that they wish to use a different approach to setting just the **financial assumptions** (e.g. discount rate) for accounting purposes. In this case we will normally be able to accommodate this, although it will lead to an increase in costs. It will, however, still be possible to prepare the report as part of a batch and so will still be cheaper than a fully bespoke report.

If an employer wishes to use different financial assumptions, then it is essential that we are made aware of their desired approach to assumption setting prior to 31 March 2015. If we are informed after this date, we will have to process the report individually and the employer will not benefit from reduced fees from being part of a group.

Any different approach to **demographic assumptions** (e.g. life expectancy) will be more time-consuming to adopt, and so a further increase in fees will result.

To assist employers in assessing whether they wish to accept our recommended assumptions, we have set out below the rationale for our recommendations for each of the principal assumptions.

### **Discount Rate**

FRS17 (and in effect IAS19 also) state that liabilities should be discounted at a rate equivalent to the "current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities". It further defines a high quality corporate bond as one that "has been rated at the level of AA or equivalent status".

The principle behind our approach to setting the recommended discount rate as at 31 March 2015 has remained unchanged since 31 March 2014 i.e. the discount rate is still derived from a corporate bond yield curve whilst recognising the weighted average duration (or term) of the benefit obligation for each separate employer.

However, the way we have constructed the corporate bond yield curve has been revised.

### Corporate bond yield curve

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on Government bonds at any duration and at any date. Unfortunately, a similarly accessible corporate bond yield curve is not so readily available.

At 31 March 2014, our corporate bond yield curve was based on the constituents of the iBoxx £ Corporates AA index using the UBS delta curve fitting methodology. Currently, the UBS curve produces a discount rate that, at longer durations, is lower than what we understand auditors would typically expect. Our understanding is based on recent discussions we have had with auditors.

For this reason, we have adopted an approach whereby a corporate bond yield curve is now constructed in the following manner:

- Use the UBS corporate bond curve (derived by applying the UBS delta curve fitting methodology to the constituents of the iBoxx £ Corporates AA index) for durations up to 8 years
- From 12 years onwards use a gilts curve plus a long term average credit spread of 1.0% p.a. (based on my judgement of market conditions as at 31 January 2015)
- Interpolate between the two approaches for durations between 8 and 12 years.

The UBS fitting approach is complex and specific details on this can be provided if required. This approach gives a smooth curve of locally averaged yields along the term structure. The chart below shows a representative yield curve as at 31 January 2015.



### Weighted average duration

As mentioned above, the discount rate should reflect the term of the benefit obligation. We have interpreted 'term' to be the weighted average duration of the benefit obligation. This is broadly defined as;

The weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions at a particular time. The shorter the duration, the more 'mature' the employer.

Historically, the weighted average duration of the benefit obligation for each LGPS employer was similar. With increased divergence of LGPS employers, in particular the introduction of Academies in England and the increased number of outsourcings, it is now the case that the weighted average durations of individual employers are likely to be materially different. The use of a single discount rate appropriate for a typical employer in the fund is no longer appropriate for all employers.

In accordance with the approach adopted at 31 March 2014, we recommend separate discount rates (and corresponding RPI/CPI inflation assumptions – see below) for individual employers, dependent on their own weighted average duration. The first step in this is to allocate each employer to a duration category as defined below:

Weighted average duration	Discount rate category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

The weighted average duration used to identify the appropriate category for each employer is that determined at the most recent actuarial valuation. For English and Welsh LGPS Funds this will be the duration determined at the 2013 valuation and will be identical to that used at 31 March 2014. For Scottish LGPS Funds, employers may see themselves being allocated to a different duration category with the duration calculated at the 2014 formal valuation being applied as opposed to the duration at the 2011valuation that was used to set the FRS17/IAS19 assumptions as at 31 March 2014.

## **Retail Prices Inflation**

This assumption is typically derived from yields available on fixed interest and index linked government bonds, and should be consistent with the derivation of the discount rate.

The chart below show the Bank of England implied inflation curve over a range of maturities at 31 January 2015, 31 July 2014 and 31 January 2014. The recommended RPI inflation assumption for each discount rate category defined above will be identified at appropriate durations from this curve as at 31 March 2015.



Source: Bank of England (31 January 2015)

### **Pension Increases**

In the LGPS pension increases are linked to the rate of CPI as opposed to RPI. As a market in CPI linked bonds does not exist, we need to estimate the long term gap between RPI and CPI in order to derive a CPI assumption for FRS17/IAS19 purposes.

In the past we have estimated that CPI would be approximately 0.8% below RPI. This was based on our estimate of the 'formula effect'. The Office for National Statistics (ONS) publish the size of the actual formula effect on a monthly basis and over the last four years it has varied between 0.8% and 1.0%. Based on this evidence and as a result of discussions we have had with auditors, we are increasing our assumed RPI-CPI gap to 0.9% p.a. at 31 March 2015. This will lead to a reduction in the assumed rate of CPI (all else being equal).

# Indicative financial assumptions based on market conditions as at 31 January 2015

The following table shows the indicative financial assumptions based on this methodology and **market conditions as at 31 January 2015**. It is unlikely that market conditions as at 31 March 2015 will be identical to those as at 31 January 2015 therefore the actual 31 March 2015 assumptions are likely to differ to those shown below.

Weighted average duration	Discount rate	RPI inflation (CPI)
Less than 17 years (Short)	2.9%	2.8% (1.9%)
Between 17 and 23 years (Medium)	3.0%	3.1% (2.2%)
More than 23 years (Long)	3.1%	3.2% (2.3%)

# Salary growth

Our recommended assumption will generally be consistent with the most recent actuarial valuation. In particular, recognition of short term pay restraints is made implicitly in determining a long term pay growth assumption linked to the assumed rate of RPI.

An additional allowance for promotional salary increases is also made

# **Longevity Assumptions**

Our recommended longevity assumptions for the FRS17/IAS19 2015 exercise are in line with those adopted by funds for the most recent actuarial valuation (please refer to the valuation report for your own fund for further information).

### **Demographic assumptions**

These include assumptions for commutation (a higher allowance for commutation will reduce the value of the liabilities), withdrawal, ill-health early retirements, proportions of deaths leaving a dependant, etc. The assumptions underlying the valuation should be mutually compatible and lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Best estimate is not defined in FRS17/IAS19 so there is scope for actuarial judgement in setting these assumptions.

We gathered data on recent experience of LGPS funds in order to set appropriate demographic assumptions for the most recent formal funding valuation. For all funds, our recommendation will be to use the same demographic assumptions for FRS17/IAS19 purposes as at the most recent valuation. Collectively, these are intended to be best estimate.

# Putting them all together

FRS17 and IAS19 do not require that every individual assumption is a *best estimate*. The Directors (or equivalent) of the organisation should be satisfied that the combined effect of the assumptions is reasonable as a whole.

# **Surplus limits**

It may seem unusual to talk of surpluses in current market conditions, but we do expect to see a few employers whose IAS19/FRS17 balance sheet shows a surplus (net asset) position. These employers are often contractors who were set up fully funded in the midst of adverse market conditions.

For such employers, please note that:

- both IAS19 and FRS17 currently contain provisions to limit the amount of surplus recognised in the balance sheet;
- this limit will depend on various factors such as whether the employer is closed to new entrants or not, how the surplus compares to the service cost, and what contributions the employer is duty bound to pay to the Fund;
- if there is a surplus then further checks are required to see if the limit applies; if so, then changes are needed to the calculations and disclosures. These tasks are outside our standard pricing approach. Therefore, where a material surplus exists at 31 March 2015, we will simply flag this to the employer in the first place and await further instructions: any subsequent work would require separate agreement on timescales and fees.

# FRS17 or IAS19?

Many larger employers, such as local authorities, are required to account for pension costs under IAS19 instead of FRS17. Many other bodies will also report on an IAS basis, and so it is important we are instructed whether to adopt IAS19 or FRS17 for each employer.

### **FRS102**

FRS102 comes into effect for accounting years starting on or after 1 January 2015, (i.e. the first year of adoption for employers with a 31 March year-end will be 1 April 2015 to 31 March 2016). The changes to the FRS102 standard are broadly in line with the IAS19 changes i.e. the most significant change is to the Expected Return on Assets assumption, which should lead to a higher charge to the Profit and Loss account.

In order to help employers understand the implementation of FRS102, the FRS17 reports as at 31 March 2015 will include an appendix showing the 2014/15 figures on the FRS102 basis i.e. the impact on the profit and loss figures of setting the Expected Return on Assets assumption equal to the discount rate. This is what the 31 March 2016 FRS102 reports will show as the 2014/15 position.

LGPS employers are individually responsible for ensuring their accounts are prepared in line with their own specific statutory requirements. We will be able to provide FRS17 reports in the future for any LGPS employer who still requires this information to comply with their statutory accounting requirements.

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# LOCAL GOVERNMENT FRS17 / IAS19

# Valuation approach

For Scottish LGPS Funds the FRS17/IAS19 balance sheet position disclosed as at 31 March 2014 was typically based on a roll forward from the 2011 valuation position. The FRS17/IAS19 balance sheet position as at 31 March 2015 will be based on a roll-forward of each employer's assets and liabilities determined at the 2014 valuation. The change in the accounting balance sheet position from 31 March 2014 to 31 March 2015 will likely be affected by this 'step change', with the impact differing for each employer. This will not be the case for English and Welsh LGPS Funds where the balance sheet at both 31 March 2014 and 31 March 2015, will typically be based on a roll-forward from the 2013 valuation position.

# **Next steps**

Unless otherwise advised, any FRS17/IAS19 reports commissioned by employers through the Administering Authority will be based on our default recommended assumptions.

Our recommended assumptions are intended to fully comply with FRS17 and IAS19. As prescribed we have aimed for best estimate assumptions and have not tried to be prudent.

We have discussed the approach to set our recommended assumptions with the Audit Commission, who have not raised any significant concerns with this.

The Administering Authority should issue this Briefing Note to all employers in the Fund with a March year end.

We recommend that each employer should discuss the proposed assumptions with their auditor. We would be happy to tailor any of the assumptions to the needs of individual employers. If the employer wishes to use different financial assumptions we will be able to process as part of the main batch of reports for a small extra fee provided this is communicated to us prior to 31 March 2015.

However, if the employer wishes to commission a fully bespoke report with changes to nonfinancial assumptions or if changes are requested after the accounting date, this will require preparation outside of the main bulk of the reports. This will fall outside of our standard fee scale and timetable.

If an employer wishes to use an assumption setting approach which differs from those specified in this Briefing Note, then it is essential that they advise us through the Administering Authority as soon as possible and no later than 31 March 2015. This will ensure that we are able to carry out the reports in the most cost effective manner.



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From: To:	01 April 2014 31 March 2015	Period To: Year Ended:	12 31 March 2015			
Notes	Income and Expenditure Account	Y-T-E BUDGET £	ACTUAL	Y-T-D VARIANCE £	ANNUAL BUDGET £	PROJECTED OUT-TURN £
	Income					
	Occupiers Drainage Rates	73,694	4 73,701	7	73,694	73,701
1	Special Levies issued by the Board	285,223	3 285,223	0	285,223	285,223
2	Highland Water Contributions from EA	75,000	) 137,008	62,008	75,000	137,008
	Grants Applied	428,060	208,231	-219,829	428,060	208,231
3	Income from Rechargeable Works	5,000	22,648	17,648	5,000	22,648
	Investment Interest	3,000	2,205	-795	3,000	2,205
4	Net Surplus on Operating Accounts	C	-5,939	-5,939	0	-5,939
5	Other Income	2,000	) 1,514	-486	2,000	1,514
	Total Income	£871,977	7 £724,591	-£147,386	£871,977	£724,591
	Less Expenditure					
6	Gross Cost of Capital Works	428,060	208,716	219,344	428,060	208,716
7	Precept Contributions to EA	59,014	\$ 59,096	-82	59,014	59,096
8	Maintenance Works	302,928	3 257,413	45,515	302,928	257,413
9	Administration Charges	112,405	5 103,532	8,873	112,405	103,532
	Cost of Rechargeable Works	C	20,843	-20,843	0	20,843
4	Net Deficit on Operating Accounts	C	0 0	0	0	0
	Total Expenditure	£902,407	7 £649,599	£252,807	£902,407	£649,600
	Profit/(Loss) on disposal of Fixed Assets	£C	£6,680	£6,680	£0	£6,680
	Net Surplus/(Deficit)	-£30,430	) £81,671	£112,101	-£30,430	£81,671



	01 April 2014	Period To: 12		
Го:	31 March 2015	Year Ended: 3 <sup>°</sup>	1 March 2015	
		Opening	Movement	Closing
Notes	Balance Sheet as at 31-3-2015	Balance	This Year	Balance
		£	£	£
10	Fixed Assets			
	Land and Buildings	43,956	-999	42,957
	Plant and Equipment	27,863	8,533	36,396
		71,819	7,534	79,35
	Current Assets			
11	Bank Current Account	57,793	168,086	225,87
12	Debtors Control Account	1,460	18,831	20,29
	Work in Progress	0	3,391	3,39 <sup>,</sup>
13	Term Deposits	600,000	200,000	800,000
14	Special Levies Due	0	0	
15	Ratepayers Due	6,255	-398	5,85
	Prepayments	565	-565	(
16	Prepayments WMA	22,082	-27,161	-5,07
	VAT Due	10,454	7,802	18,25
	Grants Due	0	0	
	Less Current Liabilities	698,609	369,985	1,068,59
	Creditors Control Account	47,184	-4,800	42,38
17	Grants Unapplied	127,474	299,170	426,64
	Accruals	0	6,570	6,57
	Special Levies paid in advance	5,092	-5,092	
	Finance Leases	0	0	
	PWLB Loans	0 179,750	0 295,848	475,59
			-	
	Net Current Assets	518,859	74,138	592,99
	Less Long Term Liabilities			
18	Pension Liability	76,000	71,000	147,000
	Net Assets	514,678	10,671	525,34
19	Reserves			
	Earmarked			
	General Reserve	297,936	81,671	379,60
20	Development Reserve	177,792	0	177,792
21	Plant Reserve	65,000	0	65,000
		540,728	81,671	622,39
	Non-Distributable			
22	Revaluation Reserve	49,950	0	49,950
18	Pension Reserve	-76,000	-71,000	-147,000
		-26,050	-71,000	-97,050

P J CAMAMILE CHIEF EXECUTIVE



From:	01 April 2014	Period To:	12
То:	31 March 2015	Year Ended:	31 March 2015

### Note Notes to the Accounts

1 Special Levies due from constituent Billing Authorities are as follows:

	Y-T-D	Y-T-D
	BUDGET	2014/15
Breckland District Council	45,668	45,668
Broadland District Council	68,193	68,193
King's Lynn and West Norfolk Borough Council	17,345	17,345
North Norfolk District Council	91,001	91,001
Norwich City Council	5,092	5,092
South Norfolk District Council	57,924	57,924
	285,223	285,223

2 The EA Highland Water Claim for 2014/15 is slightly greater than was estimated. Highland Water Income is a voluntary contribution we receive from the EA towards the Board's costs of maintaining its infrastructure that takes water from the hydraulic catchment area outside the Drainage District. The payment is due to be paid in September each year.

3 Rechargeable work includes professional supervision and contracting services to the Norfolk Rivers Trust.

### 4 Net Surplus/(Deficit) on Operating Accounts is made up as follows:

	Y-T-D	Y-T-D
	BUDGET	2014/15
Labour Operations Account	0	-14,888
Mobile Plant Operations Account	0	8,949
	0	-5,939
Hourly Charge-out Rates are as follows:		
Operatives (2)	26.73	27.12
Doosan DX80R Excavator	14.00	14.25

Detailed operating surpluses/(deficits) for the Labour Operations Account and each item of mobile plant are shown in the Labour and Mobile Plant Operations Reports, which can be made available to members on request.

5	Other income is made up as follows:	Y-T-D	Y-T-D
		BUDGET	2014/15
	Development Contributions	0	0
	Other Income	500	0
	Summons Costs	1,500	1,514
		2,000	1,514

- 6 The gross cost of each capital scheme is approved by the Board annually and detailed on the schedule of capital works as managed by the District Engineer, which can be made available to members on request. The Grants Due/(Unapplied) also correspond with the figures shown on the Balance Sheet. The Executive Committee scrutinise this Report every year.
- 7 The EA Precept due for 2014/15 is payable to the EA on 31 May and the other half is payable to them on 30 November. The Board has no idea where this money is spent.
- 8 Detailed maintenance operations are approved by the Board annually and shown on the Operations map, together with the schedule of maintenance works for each catchment, which can be made available to members on request. Expenditure is analysed as follows:

	Y-T-D	Y-T-D
	BUDGET	2014/15
Labour Charges	107,580	90,045
Plant Charges	21,770	23,880
Materials	5,500	6,220
Contractors	94,575	82,483
Plant Hire & Transport	7,445	50
Direct Works	236,870	202,679
Technical Support Costs	55,174	44,159
Colkirk Depot	3,850	3,742
Biodiversity Action Plan Costs	7,034	6,834


From: To:	01 April 2014 31 March 2015	Period To: Year Ended:	12 31 March 2015	
Note	Notes to the Accounts			
	Maintenance Works	302,928	3 257,413	
9	Administration charges reflect the Board's share of consortium expenditure is monitored by the Consortium Management Committee			
		Y-T-D		
	Consortium Charges	BUDGET 110,905		
	Drainage Rates AV Increases/(Decreases)	500	,	
	Depreciation Kettlewell House	1,000		
		112,405		
10	TANGIBLE FIXED ASSETS			
		Land and	I Plant and	
	Cost	Buildings	Equipment	Total
	Opening Balance as at 1 April 2014	49,950	) 80,096	130,046
	(+) Additions	C	) 23,621	23,621
	(-) Disposals	C	) -24,447	-24,447
	(=) Closing Balance as at 31 March 2015	49,950	79,270	129,220
	Depreciation			
	Opening Balance as at 1 April 2014	5,994	52,232	58,226
	(+) Depreciation Charge for year	999	13,768	14,767
	(-) Accumulated Depreciation written out on disposal	C	-23,127	-23,127
	Closing Balance as at 31 March 2015	6,993	8 42,874	49,867
	Net Book Value at 31 March 2014	43,956	6 27,863	71,819
	Net Book Value at 31 March 2015	42,957		79,353

Detailed

Full details of all movements during this year are recorded in the Board's Fixed Asset Register, which can be made available to members on request.

11 Additional sums are now being invested on the short term money market to maximise the return on the working balances, in accordance with the Board's Investment Policy. The Bank Current Account is reconciled as follows:

	2013/14	2014/15
Opening Balance as at 1 April b/fwd	50,541	57,793
(+) Receipts	900,616	1,113,336
(-) Payments	-893,364	-945,250
(=) Closing Balance c/fwd	57,793	225,879
Balance on Statement as at 31 March 2015	83,948	283,876
Less: Unpresented payments	-26,155	-57,997
Add: Unpresented receipts	0	0
Closing Balance c/fwd	57,793	225,879

#### 12 Aged Debtor profile is currently as follows:

3		Number of	
Debt period	Amount	Debtors	
<=30 days	20,291	2	
>30 days and <=60 days	0	0	
>60 days and <=90 days	0	0	
>90 days	0	0	
	20,291	2	
>90 days	Amount	Inv. Date Origina	ator
N/A	0	N/A CEO	
	0		



From:	01 April 2014
To:	31 March 2015

Period To: 12 Year Ended: 31 March 2015

#### Note Notes to the Accounts

13 Term Deposits are currently as follows:

		Investment	Maturity	Variable
Financial Institution	Capital	Date	Date	Interest Rate
Natwest Treasury Reserve Deposit	400,000	24/10/2014	26/10/2015	0.83%
National Counties Building Society	400,000	27/03/2015	30/06/2015	0.50%
	800,000			

14 Special Levies are due to be paid by Constituent Councils in two halves on 1 May and 1 November every year.

15 There are currently 72 Ratepayers that have not paid their Drainage Rates for 2014/15, as compared to 67 Ratepayers this time last year. Summarised transactions for Drainage Rates and Special Levies during the year are as follows:

	2013/14	2014/15
Arrears b/fwd	3,314	6,255
Drainage Rates for the year	72,608	73,701
Special Levies for the year	281,017	285,251
New Assessments	1	75
Value Increases (Decreases)	-1	307
Payments Received	-351,560	-360,855
Returned/(Represented) amounts	54	0
Irrecoverables and write offs	-227	-391
Summons collection costs	1,050	1,514
Arrears c/fwd	6,256	5,857

16 Prepayments represent the amount that has been paid to the WMA in advance, which will be used by the WMA to pay the Board's share of consortium expenditure during the next reporting period.

17 Grants Unapplied are those grants that we have received in advance of doing work on the following schemes:

	2013/14	2014/15
Giant Hogweed Project	4,109	3,792
River Wensum Restoration Project	6,233	1,234
River Wensum Restoration Project PAR Preparation	315	0
River Nar Litcham to Lexham Hall Lakes	797	871
River Nar East Lexham Lakes Bypass	5,683	-2,311
River Wensum Resoration Scheme	0	176,245
River Nar Restoration Scheme 4 Year	110,337	213,813
Strategic Modelling and Restoration	0	33,000
	127,474	426,644

- 18(i) The Board provides its employees with access to the Local Government Pension Scheme but does not need to Account for this as a defined benefit pension scheme to comply with the limited assurance audit regime. However the Board has chosen to do so because it does have a pension liability, which has been calculated by the LGPS Fund Actuary as at 31 March 2015.
- 18(ii) The Board is a member of the Water Management Alliance Consortium and as such will also have 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 now prepared a separate Report for the Water Management Alliance, which identifies a notional net pension liability of £1,433,000 as at 31 March 2015 that is shared by all 5 Member Boards.
- 19 The Reserves are managed in accordance with the Capital Financing and Reserves Policy for 2014/15, as approved by the Board on 30 January 2014. This policy is available for viewing on the Board's website.
- 20 The purpose of the Development 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.
- 21 The purpose of this Reserve is to reduce the impact on drainage rates as and when equipment is bought and sold, in accordance with the mobile plant renewals programme. Depreciation is its primary source of income, which largely comes from drainage



From:	01 April 2014
To:	31 March 2015

#### Period To: 12 Year Ended: 31 March 2015

#### Note Notes to the Accounts

rates/special levies in the form of plant charges included within the maintenance budget, together with any profits on disposal. Changes in hourly charge out rates are determined by the Operations Manager and the Chief Executive. Expenditure is determined by the Board, following recommendations made by the Chief Executive and Operations Manager.

This Revaluation Reserve has arisen from the revaluation of the Board's share of Kettlewell House on 31 March 2009 (approx. 10%).

#### **Related Party Transactions**

- 23 Mr D Papworth is the Chairman of the Norfolk Rivers IDB. £3,000 Chairman's Allowance was paid in 2014/15 and £720 was paid to L F Papworth Ltd.
- 24 Board Members; Mr Carrick, Mr Oldfield and Mr B Hannah were paid £56.50, £107.00 and £23.40 respectively for travelling
- 25 The Board hired meeting rooms at Hunter's Hall during the year at a net cost of £843.60. Hunter's Hall is owned by the Vice-Chairman of the Board, Mr J F Carrick.

#### **Recommended Actions:**

- 1. It is recommended that the Board approves the Financial Report for the year ending 31 March 2015.
- 2. To approve the Accounting Statement shown in section 1 of the Annual Return for 2014/15.

P J CAMAMILE CHIEF EXECUTIVE M FUTTER FINANCE OFFICER



From: 01 April 2014 To: 31 March 2015

Period To: 12 Year Ended: 31 March 2015

Our ID Capital Scheme	EA Ref.	GiA Level %	Actual 2008/09 2009/10 £	Actual 2010/11 £	Actual 2011/12 £	Actual 2012/13 £	Actual 2013/14 £	Actual 2014/15	Annual Estimate 2014/15 £	Variance (2014/15) £	Cumulative Gross Cost C/Fwd £	Approved Cost £	Variance (adverse)/ favourable £	Grant Receivable £	Grant Requested £	Grant Due/ (Unapplied) £	Grant Applied £
Grant Aided Works:																	
SCH02 River Wensum WLMP	IDB0079	100%	37,486.20	11,280.80	1983.50	-5,364.91	1,381.00	5,000.00	180,000	175,000.00	51,766.59	60,000	8,233.41	51,766.59	53,000.00	-1,233.41	5,000.00
SCH03 Giant Hogweed NNI Irradication Scheme	NCC	100%	480.00	865.93	198.00	62.46	284.46	317.46	500	182.54	2,208.31	6,000	3,791.69	2,208.31	6,000.00	-3,791.69	317.46
SCH04 River Nar Restoration Scheme	IDB0156	100%	29,268.06	72,957.40	3,572.00	2,249.75	0.00	0.00	0	0.00	108,047.21	153,484	45,436.79	108,047.21	108,047.21	0.00	0.00
SCH07 River Nar Litcham to Lexham Hall Lakes	IDB0228	100%	0.00	0.00	5,364.91	36,127.79	20,897.19	0.00	0	0.00	62,389.89	68,464	6,074.11	62,389.89	62,463.88	-871.45	0.00
Catchment Officer Employment Costs	IDB0261	100%	0.00	0.00	0.00	40,000.00	0.00	0.00	0	0.00	40,000.00	40,000	0.00	40,000.00	40,000.00	0.00	0.00
SCH11 River Nar East Lexham Lakes Bypass	IDB0266	100%	0.00	0.00	0.00	0.00	44,317.57	67,993.52	0	-67,993.52	112,311.09	150,000	37,688.91	112,311.09	110,000.00	2,311.09	67,993.52
SCH12 River Wensum Restoration Scheme	IDB0304	100%	0.00	0.00	0.00	0.00	6,685.00	101,008.91	0	-101,008.91	107,693.91	276,850	169,156.09	107,693.91	276,850.00	-176,245.34	100,919.66
SCH13 River Nar Restoration Scheme 4 Year	IDB0266	100%	0.00	0.00	0.00	0.00	0.00	34,000.00	197,560	163,560.00	34,000.00	484,200	450,200.00	34,000.00	247,812.83	-213,812.83	34,000.00
SCH14 West Lexham Lakes		100%	0.00	0.00	0.00	0.00	0.00	395.70	0	-395.70	395.70	0	-395.70	0.00	0.00	0.00	0.00
SCH15 Strategic Modelling and Restoration	IDB0324	100%	0.00	0.00	0.00	0.00	0.00	0.00	35,000	35,000.00	0.00	33,000	33,000.00	0.00	33,000.00	-33,000.00	0.00
			67,234.26	85,104.13	11,118.41	73,075.09	73,565.22	208,715.59	413,060	204,344.41	518,812.70	1,238,998	720,185.30	518,417.00	937,173.92	-426,643.63	208,230.64
Non-Grant Aided Works:			0.00	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0.00	0.00	0.00
Totals		-	£67,234.26	£85,104.13	£11,118.41	£73,075.09	£73,565.22	£208,715.59	£413,060	£204,344.41	£518,812.70	£1,238,998	£720,185.30	£518,417.00	£937,173.92	-£426,643.63	£208,230.64

A W GOODWIN DISTRICT ENGINEER



From:	01 April 2014	Period To: 12
To:	31 March 2015	Year Ended: 31 March 2015

Our ID	Maintenance Works	Length Metres	Actual 2013/14	Actual 2014/15	Annual Estimate	Variance
	h Sub Catalanant					
CMT013G	h Sub Catchment	16 700	10.044.40	10 750 40	4 7 1 0	0.040.42
	North Walsham & Dilham Canal Catchment	16,700	12,844.49	12,759.43	4,710	-8,049.43
CMT014G	Hundred Stream Catchment	7,910	9,233.13	54.00	50	-4.00
	re Sub Catchment					
CMT026G	Hoveton Catchment	7,628	0.00	202.50	13,660	13,457.50
North Norf	olk Rivers Sub Catchment					
CMT042G	Holme Catchment	2,366	0.00	5,542.50	2,010	-3,532.50
CMT043G	Burn Catchment (Burnham Norton)	1,340	8,491.75	3,590.00	1,320	-2,270.00
CMT044G	Stiffkey Catchment	3,413	0.00	108.00	1,320	1,212.00
Upper Yare	e and Tas Sub Catchment					
CMT061G	Forncett to Tasburgh					
061G0301	3 Tharston Drain	9,872	0.00	60.75	0	-60.75
061G0302	3a Fundenhall Drain	3,130	0.00	0.00	0	0.00
061G0303	3b Peck Drain	2,279	117.94	0.00	0	0.00
061G0304	3c Wacton Drain	1,505	0.00	0.00	0	0.00
061G0305	3d Sandpit Drain	1,437	0.00	0.00	0	0.00
CMT062G	Flordan to Caistor St Edmunds Catchment	6,179	330.57	81.00	0	0.00
CMT063G	Trowse Catchment	736	0.00	0.00	7,660	7,660.00
CMT064G	Keswick Catchment	5,552	2,088.00	0.00	2,200	2,200.00
CMT065G	Greath Melton to Colney Catchment	1,156	0.00	74.25	1,660	1,585.75
CMT066G	Barnham Broom Catchment	681	0.00	162.00	0	-162.00
CMT067G	Thuxton Catchment	2,797	0.00	2,505.25	0	-2,505.25
CMT068G	Deopham to Wramplingham	6,344	0.00	3,195.63	0	-3,195.63
CMT069G	Wymondham Catchment	3,277	1,192.00	1,614.75	4,110	2,495.25
CMT070G	Dyke Beck Catchment	1,586	0.00	0.00	0	0.00
Upper Bur	e Sub Catchment					
CMT071G	Thurning Catchment	10,831	2,661.00	3,537.00	4,354	817.00
CMT072G	Corpustry/Cropton Hall Catchment	2,439	2,660.26	2,220.50	2,900	679.50
CMT073G	Mannington Hall Catchment	1,418	1,502.63	1,188.00	2,500	1,312.00
CMT074G	Itteringham					
074G3401	Itteringham Marsh - 34 Itteringham Marsh u/s Bure	535	903.50	859.50	800	-59.50
074G3501	Itteringham Marsh - 35 Itteringham to Oulton	1,061	0.00	0.00	0	0.00
CMT075G	Blickling-Itteringham Catchment	712	0.00	0.00	3,110	3,110.00
CMT076G	Aldborough and Scarrow Beck	22,413	12,103.78	11,454.00	19,330	7,876.00
CMT077G	Blickling Catchment	3,480	4,417.70	7,671.02	960	-6,711.02
CMT078G	Aylsham Catchment No.1	912	929.63	990.00	2,200	1,210.00
CMT079G	Aylsham North Catchment No.2	1,187	0.00	0.00	500	500.00
CMT080G	Burgh-Next-Aylsham Catchment	2,978	1,455.85	553.50	5,160	4,606.50
CMT081G	Marsham-Brampton Catchment	17,230	23,355.66	26,748.89	13,910	-12,838.89
CMT082G	Buxton - Hevingham Catchment	11,788	8,643.52	4,044.00	12,210	8,166.00
CMT083G	Kings Beck Catchment	37,254	61,825.62	34,440.62	32,410	-2,030.62
CMT084G	Horstead - Hautbois Catchment	2,126	13,090.67	1,144.50	2,400	1,255.50
CMT085G	Horstead Catchment	4,694	3,946.51	4,738.13	6,160	1,421.87
CMT086G	Itteringham Marsh Catchment	1,134	4,237.63	1,465.50	150	-1,315.50
Wensum S	ub Catchment					
CMT087G	Tatterset A Catchment	922	0.00	0.00	0	0.00
CMT088G	Tatterset B Catchment	2,533	0.00	54.00	0	-54.00
CMT089G	Tatterford - Raynham Catchment	8,471	816.50	0.00	0	0.00
CMT090G	Dunton Patch Catchment	3,073	0.00	0.00	0	0.00
CMT091G	Dunton Patch - Nights Common Catchment	3,276	0.00	0.00	0	0.00
CMT092G	Sculthorpe Catchment	4,068	5,709.76	10,917.76	3,263	-7,654.76
CMT093G	Gt Ryburgh Catchment	5,121	1,130.00	3,018.32	0	-3,018.32
		12				



From:	01 April 2014
To:	31 March 2015

Period To: 12 Year Ended: 31 March 2015

Our ID	Maintenance Works	Length Metres	Actual 2013/14	Actual 2014/15	Annual Estimate	Variance
01/700/0						
CMT094G	Gt Ryburgh Langor Catchment	808	0.00	0.00	3,602	3,602.00
CMT095G	Gt Ryburgh Stibbard Catchment	11,059	3,589.82	0.00	0	0.00
CMT096G	Gt Ryburgh B Catchment	1,103	4,263.75	75.00	0	-75.00
CMT097G	Guist Catchment	2,520	0.00	0.00	1,924	1,924.00
CMT098G	Foulsham Catchment	18,897	1,602.13	0.00	0	0.00
CMT099G	Elmham A Catchment	6,710	221.50	0.00	0	0.00
CMT100G	Elmham B Catchment	1,933	0.00	0.00	0	0.00
CMT101G	Beetley Catchment	12,094	0.00	0.00	0	0.00
CMT102G	Gressenhall A Catchment	1,302	0.00	0.00	0	0.00
CMT103G	Gressenhall B Catchment	2,604	83.25	0.00	0	0.00
CMT104G	Dereham Stream Catchment	3,031	3,046.26	8,066.29	5,514	-2,552.29
CMT105G	Billingford Catchment	6,493	2,183.13	2,093.75	6,760	4,666.25
CMT106G	Bylaugh Meadows Catchment	7,162	0.00	9,673.70	15,210	5,536.30
CMT107G	Swanton Morley Catchment	6,304	2,367.56	3,600.00	6,340	2,740.00
CMT108G	Easthaugh Catchment	3,099	0.00	0.00	3,442	3,442.00
CMT109G	Lenwade Catchment	3,111	0.00	249.38	3,360	3,110.62
CMT110G	Reepham - Booton Catchment	23,821	13,492.85	2,604.75	4,732	2,127.25
CMT111G	Swannington Catchment	16,458	0.00	0.00	2,160	2,160.00
CMT112G	Ringland - Morton Hall Catchment	4,249	2,245.35	7,911.30	11,760	3,848.70
CMT113G	Taverham Hall Catchment	4,903	0.00	5,812.91	0	-5,812.91
CMT114G	Drayton Low Road Catchment	2,930	454.06	5,669.26	6,590	920.74
CMT115G	Costessey Mill Catchment	1,766	180.38	54.00	3,632	3,578.00
CMT116G	Hellesdon Low Road A Catchment	3,477	0.00	4,927.14	3,820	-1,107.14
CMT117G	Honningham - Berry Hall Catchment	1,304	804.00	750.00	0	-750.00
CMT119G	Hellesdon Low Road B Catchment	1,156	218.25	120.00	0	-120.00
	Sub Catchments					
CMT120G	Upper Nar River Catchment	34,136	8,698.38	6,075.92	7,007	931.08
	Direct Works	417,974	227,138.77	202,678.70	236,870	34,191.30
		417,974		·	-	54,191.50
	Depot at Colkirk		3,278.78	3,741.52	3,850	108.48
	Technical Support Costs		48,324.00	44,159.00	55,174	11,015.00
	Biodiversity Action Plan Costs		4,167.00	6,834.00	7,034	200.00
	Contingency		0.00	0.00	0	0.00
	Maintenance Works		£282,908.55	£257,413.22	£302,928	£45,514.78

A FOWLE OPERATIONS MANAGER



#### From: 01 April 2014

Period To: 12

To: 31 March 2015

Year Ended: 31 March 2015

Plant ID	Plant Item	Productive Units	Charge Out Unit	£ Per Unit	Notional Income	Third Party R & M	Inhouse R & M	Fuels	RFL, Int & Insurance	Depreciation	Total Expenditure	Over/(Under) Recovery
												,
M05	Herder Mowing Bucket	830.75	Hours	3.00	2,492.25	0.00	0.00	0.00	0.00	0.00	0.00	2,492.25
M06	Fuel Bowser	0.00	Hours	2.50	0.00	376.88	0.00	0.00	95.13	0.00	472.01	-472.01
M09	Bomford Flail	0.00	Hours	3.60	0.00	0.00	0.00	0.00	95.13	0.00	95.13	-95.13
M10	Herder Mowing Bucket	41.75	Hours	3.00	125.25	49.40	0.00	0.00	0.00	780.60	830.00	-704.75
M17	Ifor Williams Trailer	0.00	Hours	2.50	0.00	21.00	0.00	0.00	0.00	0.00	21.00	-21.00
M19	Doosan DX80R Excavator	1,571.50	Hours	14.25	22,393.92	2,164.02	486.00	3,860.97	343.44	7,969.44	14,823.87	7,570.05
M21	Bomford Protrim Flail	340.80	Hours	2.50	852.00	321.58	0.00	13.00	0.00	825.18	1,159.76	-307.76
M22	Herder Mowing Bucket	799.00	Hours	3.00	2,397.00	1,609.79	0.00	0.00	0.00	300.00	1,909.79	487.21
	Mobile Plant Operations Account (this year)	3,584			£28,260.42	£4,542.67	£486.00	£3,873.97	£533.70	£9,875.22	£19,311.56	£8,948.86
	Mobile Plant Operations Account (last year)	983			£13,849.20	£4,091.43	£0.00	£2,632.61	£398.56	£9,874.96	£16,997.56	-£3,148.36

A FOWLE OPERATIONS MANAGER



From:	01 April 2014						
То:	31 March 2015		Year Ended:				
		Y-T-D Budget	Y-T-D Actual	Y-T-D	Annual	Projected	Projected
ID	Labour Operations Account	2014/15	2014/15	Variance	Estimate	Out-Turn	Variance
	Work Done:						
7000	Labour Income	118,206.00	105,664.18	-12,541.82	118,206.00	105,664.18	-12,541.82
	Direct Costs:						
7010	Basic Pay	32,097.58	30,481.34	1,616.24	32,097.58	30,481.34	1,616.24
7020	Overtime	3,518.40	4,088.00	-569.60	3,518.40	4,088.00	-569.60
7030	Bonus	1,787.42	1,674.71	112.71	1,787.42	1,674.71	112.71
7040	Service Bonus	2,411.34	2,399.24	12.10	2,411.34	2,399.24	12.10
7050	Attendance Pay	428.00	287.68	140.32	428.00	287.68	140.32
7060	Proficiency Certificates	600.00	600.00	0.00	600.00	600.00	0.00
7080	Call out/expenses	1,180.00	771.74	408.26	1,180.00	771.74	408.26
7100	Travelling	4,500.00	4,527.30	-27.30	4,500.00	4,527.30	-27.30
7110	Holiday Pay	5,325.78	5,317.75	8.03	5,325.78	5,317.75	8.03
7120	Sick Pay	0.00	1,443.83	-1,443.83	0.00	1,443.83	-1,443.83
		51,848.52	51,591.59	256.93	51,848.52	51,591.59	256.93
	Variable Overheads:						
7070	Telephones	325.00	496.40	-171.40	325.00	496.40	-171.40
7130	Employers N.I.	4,198.64	4,081.20	117.44	4,198.64	4,081.20	117.44
7140	Employers Pension	4,204.22	5,193.48	-989.26	4,204.22	5,193.48	-989.26
7150	Life Assurance	100.00	0.00	100.00	100.00	0.00	100.00
		8,827.86	9,771.08	-943.22	8,827.86	9,771.08	-943.22
	Fixed Overheads:						
7160	Operations Manager - A Fowle	42,740.50	43,110.51	-370.01	42,740.50	43,110.51	-370.01
7175	Operations Manager - Vehicle AK61 VMU	6,240.00	5,862.41	377.59	6,240.00	5,862.41	377.59
7180	Operations Manager - Vehicle AU64 HCG	6,240.00	4,982.89	1,257.11	6,240.00	4,982.89	1,257.11
7240	Training Course Fees	450.00	55.00	395.00	450.00	55.00	395.00
7250	Protective Clothing/Health and Safety	500.00	3,380.82	-2,880.82	500.00	3,380.82	-2,880.82
7260	Small Tools/Light Plant	1,300.00	1,798.16	-498.16	1,300.00	1,798.16	-498.16
		57,470.50	59,189.79	-1,719.29	57,470.50	59,189.79	-1,719.29
	Net Operating Surplus/(Deficit)	£59.12	-£14,888.28	-£14,947.40	£59.12	-£14,888.28	-£14,947.40
	Productive Hours:						
1.04		4 000 00	4 040 00	70.00	4 000 00	4 0 4 0 0 0	70.00
L01	G Boyce	1,892.00	1,813.00	-79.00	1,892.00	1,813.00	-79.00
L02	A Halls	1,606.00	1,680.50	74.50	1,606.00	1,680.50	74.50
L03	A Fowle	924.00	952.00	28.00	924.00	952.00	28.00
		4,422.00	4,445.50	23.50	4,422.00	4,445.50	23.50
	Cost/Hour:						
	Direct Cost	11.73	11.61	0.12	11.73	11.61	0.12
	Variable Overhead	2.00	2.20	-0.20	2.00	2.20	-0.20
	Fixed Overhead	13.00	13.31	-0.20	13.00	13.31	-0.20
	Tixed Overhead	£26.73	£27.12	-£0.39	£26.73	£27.12	
	Holidays Taken:						
NR0001	G Boyce	29	29	0	29	29	0
NR0001 NR0002	A Fowle	29 32	29 28	0 4	29 32	29 28	0 4
NR0002 NR0003	A Halls	32 29	28	4	32 29	28 29	4 0
11110003	A Fialis	<u> </u>	86	4	<u> </u>	<u> </u>	4
	Sickdays Taken:						
NR0001	G Boyce	0	17	-17	0	17	-17
NR0001	A Fowle	0	0	-17	0		
NR0002 NR0003	A Halls	0	0	-1	0	0 1	0 -1
11110003		0	18	-18	0		-18
		U	10	-10	U	10	-10

A FOWLE OPERATIONS MANAGER



# From: 01 April 2014 Period To: 12 To: 31 March 2015 Year Ended: 31 March 2015

		Purchased/	Depreciation	Capital Cost			Capital Cost	Depreciation		Acc.dprn w/out	Depreciation	Profit/(Loss)	Net
Asset I	D Asset/Asset Type	Revalued	Period (Yrs)	B/Fwd	Additions	Disposals	C/Fwd	B/Fwd	Depreciation	on disposal	C/Fwd	on Disposal	Book Value
N/0 /	I hadeeadie Oosesteare	00/05/4005	40	0.050.00	0.00	0.050.00	0.00	0.050.00	0.00	0.050.00	0.00	0.00	0.00
M04	Hydraulic Secateurs	22/05/1995	10	3,350.00	0.00	-3,350.00	0.00	3,350.00	0.00	-3,350.00	0.00	0.00	0.00
M05	Herder Mowing Bucket	01/04/2001	5	1,300.00	0.00	0.00	1,300.00	1,300.00	0.00	0.00	1,300.00	0.00	0.00
M06	Fuel Bowser	01/04/2001	5	2,869.62	0.00	0.00	2,869.62	2,869.62	0.00	0.00	2,869.62	0.00	0.00
M09	Bomford Flail	01/04/2002	5	4,050.00	0.00	-4,050.00	0.00	4,050.00	0.00	-4,050.00	0.00	0.00	0.00
M10	Herder Mowing Bucket	21/10/2011	5	3,903.00	0.00	0.00	3,903.00	1,886.45	780.60	0.00	2,667.05	0.00	1,235.95
M17	Ifor Williams Trailer	01/04/2009	3	2,929.00	0.00	0.00	2,929.00	2,929.00	0.00	0.00	2,929.00	0.00	0.00
M19	Doosan DX80R Excavator	21/10/2011	5	39,847.00	0.00	0.00	39,847.00	19,988.65	7,969.44	0.00	27,958.09	0.00	11,888.91
M21	Bomford Protrim Flail	26/01/2012	3	3,300.00	0.00	0.00	3,300.00	2,474.82	825.18	0.00	3,300.00	0.00	0.00
M22	Herder Mowing Bucket	31/03/2014	5	1,500.00	0.00	0.00	1,500.00	25.00	300.00	0.00	325.00	0.00	1,175.00
	Fixed Assets: Plant and Equipment			63,048.62	0.00	-7,400.00	55,648.62	38,873.54	9,875.22	-7,400.00	41,348.76	0.00	14,299.86
M23	Isuzu D-Max AU64 HCG	11/09/2014	3	0.00	23.621.35	0.00	23,621.35	0.00	1,525.51	0.00	1,525.51	0.00	22,095.84
M20	Ford Ranger AK61 VMU	22/12/2011	3	17,047.00	0.00	-17,047.00	0.00	13,359.18	2,367.40	-15,726.58	0.00	6,679.58	0.00
	Fixed Assets: Vehicles		-	17,047.00	23,621.35	-17,047.00	23,621.35	13,359.18	3,892.91	-15,726.58	1,525.51	6,679.58	22,095.84
B01	Kettlewell House: NK391156 (10%)	25/08/2009	50	49,950.00	0.00	0.00	49,950.00	5,994.00	999.00	0.00	6,993.00	0.00	42,957.00
	Fixed Assets: Land and Buildings			49,950.00	0.00	0.00	49,950.00	5,994.00	999.00	0.00	6,993.00	0.00	42,957.00
	Fixed Assets			£130,045.62	£23,621.35	-£24,447.00	£129,219.97	£58,226.72	£14,767.13	-£23,126.58	£49,867.27	£6,679.58	£79,352.70

P J CAMAMILE CHIEF EXECUTIVE

# Annual Report for the year ended

31 March 2015

Department for Environment Food & Rural Affairs

**The Law** – the following annual report is provided in accordance with Paragraph 4 of Schedule 2 to the Land Drainage Act 1991.

#### No later than 31 August 2015 a copy must be provided to:

- Department for Environment, Food and Rural Affairs, Flood Management Division, Area 3C, Nobel House, 17 Smith Square, London SW1P 3JR via <u>floodreports@defra.gsi.gov.uk</u>
- National Flood and Coastal Risk Manager (Strategic Delivery), The Environment Agency, Horizon House, Deanery Road, Bristol, BS1 5AH via <u>rachael.hill@environment-agency.gov.uk</u>
- The Chief Executives of:
  - all local authorities that pay special levies to the Board;
  - all County Councils or London Boroughs within which the Board is situated.

Please complete the form electronically. If you are unable to complete the form electronically, please complete in BLOCK LETTERS using **black ink**.

Please round all cash figures down to nearest whole £.

NORFOLK RIVERS ENTER INTERNAL DRAINAGE BOARD NAME HERE

Section A – Financial information

#### Preliminary information on special levies issued by the Board for 2015-16

Information requested below is essential in calculating future formula spending share. It is not covered elsewhere on this form or by the external auditor's certificate.

Special levies information for financial year 2015-16 (forecast)						
Name of local authority	2015-16 forecast £					
1. BRECKLAND DISTRICT COUNCIL	46261					
2. BROADLAND DISTRICT COUNCIL	69077					
3. KING'S LYNN & WEST NORFOLK BOROUGH COUNCIL	17570					
4. NORTH NORFOLK DISTRICT COUNCIL	92181					
5. NORWICH CITY COUNCIL	5158					
6. SOUTH NORFOLK DISTRICT COUNCIL	58676					
7.						
8.						
Total	288923					

Internal Drainage Board

### Income and Expenditure Account for the year ending 31 March 2015

All Internal Drainage Boards must ensure that the Income and Expenditure information provided below is consistent with the Board's annual accounting statements which have been prepared in accordance with proper practices found in *Governance and Accountability in Internal Drainage Boards in England – A Practitioners' Guide 2006 (Revised November 2007)* 

	Notes	Year ending 31 March 2015 £
INCOME		
Drainage Rates		X 73701
Special Levies		X 285223
Contributions from the Environment Agency		X 137008
Contributions applied from developers/other beneficiaries		X 0
Government Grants		X 208231
Rechargeable Works		X 22648
Interest and Investment Income		X 2205
Rents and Acknowledgements		X 0
Other Income	1	X -4425
Total income		<b>X</b> 724591
EXPENDITURE		
New Works and Improvement Works	2	Y 0
Contributions to the Environment Agency	3	Y 59096
Drains Maintenance	4	Y 250579
Pumping Stations, Sluices and Water level control structures	5	Y 0
Administration	6	Y 103532
Rechargeable Works	7	Y 20843
Finance Charges	8	Y 0
SSSIs	9	Y 208398
IDB Biodiversity Action Plan actions or other biodiversity activities	10	Y 7151
Other Expenditure	11	Y 0
Total expenditure		<b>Y</b> 649599
EXCEPTIONAL ITEMS		
Profits/(losses) arising from the disposal of fixed assets		<b>Z</b> 6680
Net Operating Surplus/(Deficit) for the year		<b>X-Y+Z</b> 81672

### Notes:

- 1. Include all other Income, such as absorption account surpluses (for example plant and labour absorption accounts).
- 2. State the gross cost of undertaking minor capital works that have not been capitalised and the annual depreciation charges of all major schemes that have been capitalised. You should also include a fair proportion of the support costs directly associated with delivery of the schemes.
- 3. State the total precept demanded for the year as properly issued by the Environment Agency, in accordance with section 141 of the Water Resources Act 1991. Providing that the precept has been properly issued as before stated it should always be included here, even when the Board has appealed against the amount of contribution, in accordance with section 140 of the Water Resources Act 1991. Where the Board knows with certainty the outcome of any such appeal, it should also include the appropriate accrual/prepayment.
- 4. State all costs associated with the maintenance of watercourses, meaning work associated with open channels, pipelines, culverts, bridges, etc. Plant, vehicle and labour charges should include a fair proportion of the overheads such as depot/workshop costs, employment on-costs, insurances and depreciation, etc. You should also include a fair proportion of the support costs directly associated with delivery of the maintenance programme.
- 5. State all costs associated with maintaining and operating the pumping stations, sluices and water level control structures. Plant, vehicle and labour charges should include a fair proportion of the overheads such as depot/workshop costs, employment on-costs, insurances and depreciation, etc. You should also include a fair proportion of the support costs directly associated with maintaining and operating the pumping stations, sluices and water level control structures.
- 6. Include the cost of non-technical staff only, office accommodation, annual depreciation of office equipment that has been capitalised, minor office equipment that has not been capitalised, postages, telecoms', stationery, printing, advertising, auditing of accounts, general insurances and all other costs associated with supporting the organisation. Please note that this does not include support costs, which are directly associated with the delivery of front line services.
- 7. State all costs associated with undertaking work for third parties. Plant, vehicle and labour charges should include a fair proportion of the overheads such as depot/workshop costs, employment on-costs, insurances and depreciation, etc. You should also include a fair proportion of the support costs directly associated with undertaking the rechargeable work.
- 8. Include the cost of servicing any borrowing, in terms of bank/loan/hire purchase Interest payable.
- State all costs associated with undertaking works capital or maintenance specifically for helping to achieve favourable condition on Sites of Special Scientific Interest (SSSIs). In most cases, these costs will be incurred in implementing actions set out in SSSI Water Level Management Plans or SSSI River Restoration Plans.
- 10. State all costs associated with undertaking works capital or maintenance that are intended to help conserve biodiversity (other than works on SSSIs). These costs are likely to be incurred in implementing actions set out in an IDB's Biodiversity Action Plan, but may include other activities.
- 11. Include all other expenditure, such as a provision for bad/doubtful debts, write-offs, and absorption account deficits (for example plant and labour absorption accounts).

### Section B – Defra high level target and IDB Review Reporting

This section relates to the Board's achievement of High Level Targets (HLTs) issued by Defra in March 2005, including information required by the Environment Agency as a result of the targets or in relation to their general supervisory duty. Only those HLTs relevant to IDBs are covered below. This section also allows for reporting on IDB Review Targets.

### HLT 1 – Policy Delivery Statement

Boards were required to produce a publicly available policy statement by 31 March 2001 setting out their plans for delivering the Government's policy aims and objectives. The full range of issues to be covered was set out in a template issued in June 2000. It is recommended that these statements be published on Boards' websites where they have them and reviewed every three years.

If 'NO', please say why not and when the statement will be produced/revised:

### HLT 2 – Information on the National Flood and Coastal Defence Database

The IDB Review Project Board and the Environment Agency have agreed the means to allow data to be stored on the National Flood and Coastal Defence Database or equivalent systems. Boards are required to report on their asset holding and asset condition at the end of 2007/08.

### HLT 3 – Biodiversity

#### Access to environmental expertise

Does your IDB have access to environmental expertise? If so please tick all those options below through which environmental expertise is regularly provided to your IDB:

Appropriately skilled Board Members (e.g. Board member from an Environmental Body/Authority) Directly employed staff Contracted persons or consultants Environmental Partners/NGOs Other (please describe)

### Asset Management (IDB Review Strand A3)

What system/database does your Board use to manage the assets it is responsible for? (A) ADIS (B) NFCDD (C) Paper Records (D) Other Electronic System (please describe)

D) Bespoke Microsoft Access Database and GIS

### Guidance and Best Practice (IDB Review Section B)

How many Board members (in total – elected and appointed) do you have on your IDB?	31
Has your IDB adopted a formal Scheme of Delegation?	
Has your IDB provided training for members in the last year? Considered:	Yes
Implemented:	

#### Please detail:

Various presentations		

## Immediate Action (IDB Review Section C)

Has your IDB adopted minimum website requirements as specified in the IDB Review Implementation Plan?	Yes
Is your Board's website information current for 2015? (Board membership, audited accounts, programmes of works, WLMPS, etc)	Yes
Has your IDB adopted computerised accounting and rating systems, as specified in the IDB Review Implementation Plan?	Yes
Has your Board adopted the following governance documents?	
Standing Orders	Yes
Have the Standing Orders been approved by Ministers	Yes
Byelaws	Yes
Have the Byelaws been approved by Ministers	Yes
Code of Conduct for Board Members	Yes
Financial Regulations	Yes
Register of Member's Interests	Yes

#### NORFOLK RIVERSENTER INTERNAL DRAINAGE BOARD NAME HERE

Internal Drainage Board

I confirm that the information provided in sections A-C or with this form is correct.

Signature

P Camamile

Date

21 August 2015

Name in BLOCK LETTERS

P J CAMAMILE

Designation

Email address

phil@wlma.org.uk

CHIEF EXECUTIVE



#### **BOARD MEMBERSHIP AS AT 31 MARCH 2015**

NAME	MEETINGS	ATTENDED	ATTENDANCE %	CONTACT DETAILS
ELECTED MEMBERS				
Birkbeck H C	4	2	50	henry@westacre-estate.co.uk
Borthwick A J	4	3	75	alister@deepdalefarm.co.uk
Bracey J	4	1	25	j.bracey@holkham.co.uk
Carrick J F **	4	3	75	john@castlefarm-swanton.co.uk
Cator H G	4	1	25	hcator@catorandco.com
Foster N W D	4	3	75	neilfoster@lexhamestate.co.uk
Hannah B J	4	1	25	bjhannah@tiscali.co.uk
Labouchere J P	4	3	75	john@labouchere.co.uk
Little M R	4	3	75	mlittle@savills.com
Mutimer G T	4	4	100	mutimer@mutimer.fsnet.co.uk
Oldfield J F	4	2	50	f-oldfield2@sky.com
Papworth P D *	4	2	50	david@tuttingtonhall.co.uk
Sayer M J	4	3	75	msayer@sparhamhouse.co.uk
Shaw S	4	2	50	simonshaw@scottowfarms.co.uk
Wilbourn R	4	3	75	rw.fhfms@btinternet.com
APPOINTED MEMBERS				
Breckland DC				
Bambridge S G	4	4	100	gordon.bambridge@breckland.gov.uk
Borrett W P	4	1	25	bill.borrett@breckland.gov.uk
Kiddle-Morris M	4	3	75	mark.kiddle-morris@breckland.gov.uk
Broadland DC				
Bannock C H (Mrs)	4	4	100	cllr.claudette.bannock@broadland.gov.uk
Findlay A P	4	3	75	cllr.paul.findlay@broadland.gov.uk
Nash R R	4	3	75	cllr.roger.nash@broadland.gov.uk
Rix B H (Mrs)	4	4	100	cllr.barbara.rix@broadland.gov.uk
KL&WNBC				
Watson E (Mrs)	4	4	100	cllr.elizabeth.watson@west-norfolk.gov.uk
North Norfolk DC				
Green A R (Mrs)	4	1	25	ann.green@north-norfolk.gov.uk
Palmer B (Miss)	4	1	25	becky.palmer@north-norfolk.gov.uk



#### BOARD MEMBERSHIP AS AT 31 MARCH 2015 (cont/-)

NAME	MEETINGS	ATTENDED	ATTENDANCE %	CONTACT DETAILS
Perry-Warnes J H	4	1	25	perwar33@gmail.com
Shepherd R	4	1	25	richard.shepherd@north-norfolk.gov.uk
Wyatt J A	4	2	50	john.wyatt@north-norfolk.gov.uk
South Norfolk DC				
Gould C	4	3	75	cgould@s-norfolk.gov.uk
Legg N	4	4	100	nlegg@s-norfolk.gov.uk
Lewis T	4	3	75	tlewis@s-norfolk.gov.uk

\* Chairman

\*\* Vice-Chairman

Average attendance: = 63%



### **Board Members and Officers**

## Gifts and Hospitality Register for 2014/15

Date	Member/Employee	Offer from	Description	Value (if known)	Accepted/Declined



From: To:	01 April 2014 31 March 2015	Period To: Year Ended:	12 31 March 2015
		ACTUAL	
BOX NO.	ANNUAL RETURN, FOR THE YEAR ENDED 31 MARCH 2015	2013/14	
		£	£
1	Balances brought forward		
	General Reserve	261,743	297,936
	Development Reserve	177,792	
	Plant Reserve	65,000	
	Revaluation Reserve	49,950	,
	Pension Reserve	-76,000	
	As per Statement of Accounts	478,485	
	(-) Fixed Assets and Long Term Liabilities		
	Long Term Liabilities	0	0
	Pension Liability	-76,000	
	Net Book Value of Tangible Fixed Assets	86,875	
	The book value of rangible rived Assets	10,875	· · · · · · · · · · · · · · · · · · ·
	(=) Adjusted Balances brought forward (Net Current Assets)	467,610	518,859
			,
2	(+) Rates and Special Levies		
	Drainage Rates	72,608	
	Special Levies issued by the Board	281,017	
	As per Statement of Accounts	353,625	358,924
3	(+) All Other Income		
	Grants Applied	73,565	208,231
	Highland Water Contributions	105,741	137,008
	Income from Rechargeable Works	116,363	22,648
	Investment Interest	2,374	
	Net Surplus on Operating Accounts	2,509	
	Other Income	950	,
	Profit/(Loss) on disposal of Fixed Assets	0	- /
	As per Statement of Accounts	301,502	372,347
	(+) Additional Income from Sale of Fixed Assets		
	Capital Cost of disposals	0	24,447
	Less: Accumulated depreciation written out	0	
		0	1,320
	(=) Adjusted Other Income	301,502	373,667
4	() Watercourses and Rumping Stations		
4	(-) Watercourses and Pumping Stations	73,565	208,716
	Capital Works Maintenance Works		
	As per Statement of Accounts	282,909 <b>356,474</b>	
		-	-
	(-) Depreciation charged to Maintenance Works		10 700
	Plant and Equipment	15,557	
	Buildings	0 <b>15,557</b>	0 13,768
			-
	(=) Adjusted Watercourses and Pumping Stations	340,917	452,361
5	(-) Loan Interest/Capital Repayments		
	Loan Interest	0	0
	Capital Repayments 17		



From: To:	01 April 2014 31 March 2015	Period To: Year Ended:	12 31 March 2015
BOX NO.	ANNUAL RETURN, FOR THE YEAR ENDED 31 MARCH 2015	ACTUAL 2013/14 £	2014/15
	As per Statement of Accounts	0	0
6	(-) All Other Expenditure		
	Environment Agency Precept	57,462	,
	Administration Charges	94,137	
	Cost of Rechargeable Works	110,861	
	Net Deficit on Operating Accounts	0	
	Pension Interest Cost/(Expected Return on Assets)	0	
	As per Statement of Accounts	262,460	183,471
	(-) All Other Expenditure (Non Cash)		
	Depreciation on Kettlewell House (ncluding in admin. Exp.)	999	999
	Pension Interest Cost/(Expected Return on Assets)	0	
	(+) Capitalised Additions	999	999
	Land and Buildings	0	0
	Plant and Equipment	1,500	
		1,500	
	(=) Adjusted Other Expenditure	262,961	206,093
7	(=) Balances carried forward		
1	General Reserve	297,936	379,607
	Development Reserve	177,792	
	Plant Reserve	65,000	
	Revaluation Reserve	49,950	
	Pension Reserve	-76,000	
	As per Statement of Accounts	514,678	
	(-) Fixed Assets and Long Term Liabilities		
	Long Term Borrowing	0	0
	Pension Liability	-76,000	-
	Net Book Value of Tangible Fixed Assets	71,819	
		-4,181	
	(=) Adjusted Balances carried forward (Net Current Assets)	518,859	592,996
8	Total Cash and Short Term Investments		
Ū	Cash at Bank and in Hand	57,793	225,879
	Short Term Investments	600,000	,
	As per Statement of Accounts	657,793	
9	Total Fixed Access and Long Torm Access		
3	Total Fixed Assets and Long Term Assets Land and Buildings	43,956	42,957
	Vehicles	3,688	
	Plant and Equipment	24,175	
	As per Statement of Accounts	71,819	
40	Total Parrowings		
10	Total Borrowings Loans Due (<= 1 Year)	0	0
	Loans Due (< 1 Year)	0	
	As per Statement of Accounts	0	
	18	v	Ŭ



From: To:	01 April 2014 31 March 2015	Period To: Year Ended:	12 31 March 2015
BOX NO.	ANNUAL RETURN, FOR THE YEAR ENDED 31 MARCH 2015	ACTUAL 2013/14 £	2014/15
7, 8	<b>RECONCILIATION BETWEEN BOXES 7 AND 8</b>	ACTUAL 2013/14 £	2014/15
7	Balances carried forward (adjusted)	518,859	592,996
	(-) Deduct: Debtors and Prepayments		
	Debtors Control Account	1,460	20,291
	Work in Progress	C	3,391
	Special Levies Due	0	
	Ratepayers Due	6,255	
	Prepayments	565	
	Prepayments WMA	22,082	
	Vat Due from HMRC	10,454	
	Grants Due	40,816	
		40,610	42,716
	(+) Add: Creditors and Payments Received in Advance (<= 1 Y	'ear)	
	Creditors Control Account	47,184	
	Grants Unapplied	127,474	
	Accruals	C	,
	Special Levies for 2015/16 paid in advance	5,092	
	Finance Leases	0 179,750	-
		110,100	410,000
	(=) Box 8	657,793	1,025,879
8	(=) Total Cash and Short Term Investments		
	Cash at Bank and in Hand	57,793	225,879
	Short Term Investments	600,000	
		657,793	1,025,879
	P J CAMAMILE		

CHIEF EXECUTIVE

<u>22 MAY 2015</u>

# Internal Drainage Boards in England Annual return for the financial year ended 31 March 2015

Internal Drainage Boards in England with an annual turnover of £6.5 million or less must complete an annual return in accordance with proper practices summarising their activities at the end of each financial year.

Each annual return on pages 2 to 5 is made up of four sections:

- Sections 1 and 2 are completed by the person nominated by the board.
- Section 3 is completed by the external auditor appointed by the Audit Commission.
- Section 4 is completed by the board's internal audit provider.

Each board must approve this annual return no later than 30 June 2015.

#### Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all sections highlighted in blue. Do not leave any blue box blank. Incomplete or incorrect returns require additional external audit work and may incur additional costs.

Send the annual return, together with your bank reconciliation as at 31 March 2015, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your external auditor by the due date.

Your external auditor will identify and ask for any additional documents needed for their work. Therefore, unless requested, do not send any original financial records to the external auditor.

Once the auditor has completed their work, certified annual returns will be returned to the local council for publication or public display of sections 1, 2 and 3. You must publish or display the annual return, including the external auditor's report, by 30 September 2015.

It should not be necessary for you to contact the external auditor for guidance.

More guidance on completing this annual return is available in the Practitioners' Guide for Internal Drainage Boards that can be downloaded from the Association of Drainage Authorities' website at www.ada.org.uk

## Section 1 - Accounting statements 2014/15 for

#### Enter name of

reporting body here: NORFALK RIVERS

Internal Drainage Board

		Year	ending	Notes and guidance
		31 March 2014 £	31 March 2015 £	Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.
1	Balances brought forward	467610	518859	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2	(+) Rates and special levies	353625	358924	Total amount of direct rates on landowners and special levies on local authorities received or receivable in the year.
3	(+) All other income	301502	373667	Total income or receipts as recorded in the cashbook less the rates and special levies (line 2). Include all grants and contributions from EA here.
4	(-) Watercourses and pumping stations	340917	452361	Total expenditure or payments including capital spending and employment costs on construction and maintenance of watercourses and pumping stations.
5	(-) Loan interest/ capital repayments	0	o	Total expenditure or payments of capital and interest made during the year on the Board's borrowings (if any).
6	(-) All other payments	262961	206093	Total payments or expenditure as recorded in the cashbook less watercourses and pumping stations (line 4) and loan interest/ capital repayments (line 5). Include all contributions to EA here.
7	(=) Balances carried forward	518 859	592996	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8	Total cash and short term investments	657793	1025879	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9	Total fixed assets plus other long term investments and assets	71 819 130046	129353 129220 105599 MP	At The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the Board as at 31 March.
10	) Total borrowings	0	0	The outstanding cepital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2015 the accounting statements in this annual return present fairly the financial position of the Board and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

P. Camamile

Date 28/05/200

I confirm that these accounting statements were approved by the Board on this date:

28/05/2015

34 15 01

and recorded as Board minute reference:

Signed by Chair of meeting approving these accounting staten

Date

# Section 2 – Annual governance statement 2014/15

We acknowledge as the members of: NORFOLK RIVERS Internal Drainage Board our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2015, that:

		Agre	ed –	'Yes'
		Yes	No*	means that the board:
1	We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	/		prepared its accounting statements in the way prescribed by law.
2	We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	1	-	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the board to conduct its business or on its finances.	/		has only done what it has the legal power to do and has complied with proper practices in doing so.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	1		during the year has given all persons interested the opportunity to inspect and ask questions about the board's accounts.
5	We carried out an assessment of the risks facing the board and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	V		considered the financial and other risks it faces and has dealt with them properly.
6	We maintained throughout the year an adequate and effective system of internal audit of the board's accounting records and control systems.	/		arranged for a competent person, independent of the board's financial controls and procedures, to give an objactive view on whether internal controls meet the needs of the board.
7	We took appropriate action on all matters raised in reports from internal and external audit.	1		responded to matters brought to its attention by internal and external audit.
8	We 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 accounting statements.	/		disclosed everything it should have about its business activity during the year including events taking place after the year- end if relevant.
	nis annual governance statement is approved the board and recorded as minute reference	Signe		OQ d
	34 15 02	Chair		28/05/2015
		dated		28/05/2015
da	ted 28 05 2015	Signe	d by:	
		Clerk	1	Caromelo
		dated	2	8/0//2010
		_	-	

\*Note: Provide explanations to the external auditor on a separate sheet for each 'No'. Describe how the board will address the weaknesses identified.

## Section 3 – External auditor certificate and opinion 2014/15 Certificate

We certify that we have completed our review of the annual return, and discharged our responsibilities under the Audit Commission Act 1998 as transitionally saved, for the year ended 31 March 2015 in respect of:

Norfalk Rivers Internal Orainage Board

### Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2015; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to review the annual return in accordance with guidance issued by the Audit Commission (see note below). Our work does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and does not provide the same level of assurance that such an audit would do.

# External auditor's report

Except for the matters reported below, on the basis of our review, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Other matters not affecting our opinion which we draw to the attention of the council:

To date the Board does not require all new Members to sign a declaration of acceptance of office although this requirement was brought in part way during 2014/15. For 2015/16, and the future, the Board should make this a requirement for all new Members.

External auditor's signature: Mazars

External auditor's name:

us Lip

Mazars LLP, Durham, DH1 5TS Date:

16 September 2015

Note: The Audit Commission issued guidance in its Standing Guidance, which is applicable to external auditors' work on 2014/15 accounts.

## Section 4 - Annual internal audit report 2014/15 to

Enter name of reporting WORFOLK RIVERS

Internal Drainage Board

The board's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2015.

Internal audit has been carried out in accordance with the board's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and, alongside, are the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the board.

Internal control objective		Agreed? Please choose from one of the following			
		Yes	No*	Not covered**	
A	Appropriate accounting records have been properly kept throughout the year.	/			
в	The board's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	7			
С	The board assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	1			
D	The annual rating requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	1			
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	7			
F	Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.	1			
G	Salaries to employees and allowances to board members were paid in accordance with board approvals, and PAYE and NI requirements were properly applied.	7			
н	Asset and investments registers were complete and accurate and properly maintained.	7			
I	Periodic and year-end bank account reconciliations were properly carried out.	7			
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	1			

For any other risk areas identified by the board (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit: KAVE LITTLEWOOD, CMIA

Signature of person who carried out the internal audit: Kelthourd Date: 27/c+/2c/5

\*Note: If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

## Guidance notes on completing the 2014/15 annual return

- 1 You must apply proper practices for preparing this annual return. Proper practices are found in the Practitioners' Guide\* which is updated from time to time and contains everything you should need to prepare successfully for your financial year-end and the subsequent audit.
- 2 Make sure that your annual return is complete (i.e. no empty blue boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are drawn to the attention of, and approved by the board, properly initialled and an explanation is provided to the external auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a board member or the Chair, to review your annual return for completeness before sending it to the external auditor.
- 4 Do not send the external auditor any information not specifically asked for. Doing so is not helpful. However, you must notify the external auditor of any change in Clerk, Responsible Finance Officer or Chair.
- 5 Make sure that the copy of the bank reconciliation which you send to your external auditor with the annual return covers all your bank accounts. If your board holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree your bank reconciliation to Box 8 on the Accounting statements (Section 1). You must provide an explanation for any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guide\*.
- 6 Explain fully significant variances in the accounting statements on page 2. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a complete analysis to support your explanation. There are a number of examples provided in the Practitioners' Guide\* to assist you.
- 7 If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Make sure that your accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2014) equals the balance brought forward in the current year (Box 1 of 2015).
- 9 Do not complete section 3. The external auditor will complete it at the conclusion of the audit.

Completion ch	ecklist - 'No' answers mean you may not have met requirements	Done?
	All blue boxes have been completed?	
All sections	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	
	Board approval confirmed by signature of Chair of meeting approving accounting statements?	
Section 1	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2015 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Section 2	For any statement to which the response is 'no', an explanation is provided?	
Section 4	All blue boxes completed by internal audit and explanations provided?	

\*Note: Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guide, is available from the ADA website www.ada.org.uk or from The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL.





# Water Management Alliance

# INTERNAL AUDIT REPORT 2014/15

# April 2015

### Contents:

- 1. Executive Summary
- 2. Reporting
- 3. Acknowledgements
- 4. Detailed Observations, Recommendations and Agreed Actions
- APP 1 Agreed Terms of Reference

#### 1. Executive Summary

The audit of the Water Management Alliance and the constituent Internal Drainage Boards was carried out by Kate Littlewood for the year 2014-15. This Executive Summary sets out our overall conclusion on the system reviewed, and summarises the key recommendations arising. A copy of the Terms of Reference for this audit is attached as **Appendix 1**.

Regulation 6 of the Accounts and Audit Regulations 2011 requires that 'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. The completion of this internal audit fulfils that role.

It should be noted that any system of internal control is designed to manage risk to a reasonable level, and therefore Internal Audit cannot provide absolute assurance against loss. As well as being effective, controls need to be proportionate to the risk involved and not overburden the organisation with excessive costs.

The Water Management Alliance provides administration and management services to the five constituent Internal Drainage Boards, namely Broads, King's Lynn, East Suffolk, Norfolk Rivers and South Holland.

Using the 'Governance and Accountability in Internal Drainage Boards in England – A Practitioners Guide (Rev 2007)' this audit reviewed the procedures and systems of control in place at the Water Management Alliance and considered if they were effective and being applied as intended. Sample testing was carried out on elements as considered necessary by the auditor in order to substantiate the application of the control.

As part of the audit a follow-up was carried out on the recommendations raised in last year's report. The results of this are included in section 4.

#### 2. Overall Conclusion

In conclusion, the procedures used at the Water Management Alliance are simple but effective, and appear to be carried out diligently by all staff concerned. Controls are working as expected. However, there are some aspects that can be improved and details of recommendations can be found in Section 4 together with the actions agreed with the Chief Executive.

The overall level of assurance attributed to the system is:

Substantial Assurance	A sound system of internal control, but there are a few
	weaknesses that could put achievement of system objectives
	at risk.

Audit Code: EX1

Final @ 27/04/2015

The observations and recommendations are detailed in Section 4. Each recommendation is allocated a priority as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

#### 3. Acknowledgements

I would like to express my thanks for their assistance and co-operation to: Phil Camamile, Chief Executive Officer Mary Creasy, Personal Assistant (CEO) Michelle Futter, Finance Officer Trish Walker, Finance Assistant Graham Tinkler, Rating Officer/Site Warden Subject Area 4.1 – Follow-up on agreed actions from previous year's report.

W.P. Ref. Follow-up

Priority	Agreed Action/ Responsible Officer/ Target Date
N/A	No further action required.

Respons	d Action/ sible Officer/ get Date
nt discount	
nd paid electronically on or before 2 <sup>nd</sup> May will benefit from a 2.5% settlement debit does ex Boards, but th	o pay by direct kist for all his needs to be ed. A letter will
bes not appear on the reverse of the Rate Demand letters where payment options The only discount offered relates to the direct debit facility operated by South discount, and email address	l requesting
preparation f	or 2016/17.
ailable on the website. If rate payers ask for the option to receive emailed demands	
tronically, but this cannot be delivered, the Board will be in contravention of its Officer. March 2016	ve and Rating
on	
er the option is to be offered and either remove it from the published document, rocess by which the discount can be applied.	
ocess by which the discount can be applied.	

#### Subject Area 4.2 – Aged Debtors

W.P. Ref. TS7.4

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
3. Collection of outstanding Rates		
Observation		
The Aged Debtor report for each Board was reviewed and some analysis of the main causes of	Medium	The direct debit facility is
non-payment was started using the Account Status on the report, but this analysis was abandoned		available for all Boards as
as it became clear that the status is not always updated.		noted in Recommendation 2 above.
Several payment options are offered, but only one Board offers a direct debit facility and this		
Board also has the highest collection rate.		The Account Status and notes fields will be completed and
The process for collecting outstanding rates was discussed with the Rating Officer and a sample of		updated to maintain a full
aged debts was selected and reviewed for action taken. Most cases appear to be the result of		record of actions and events
changes of occupation, where the new occupier cannot readily be confirmed. There are a few		relating to each account.
cases where attempts by the Rating Officer to resolve issues are thwarted by meetings being repeatedly cancelled, letters not answered and telephone calls not being returned.		
		Rating Officer
		With immediate effect.
Consequence		
It is not possible to readily identify the main issues around outstanding debts as the required information is not updated.		
By not offering a direct debit facility, some Boards may not be optimising the collection rate.		
Some non-payers may be deliberately avoiding resolving issues in order not to pay.		

#### Subject Area 4.2 – Aged Debtors

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
<b>Recommendation</b> Ensure the Account Status is updated to provide accurate information to enable some analysis and targeted action to be implemented.		
Consider offering direct debit to all rate payers.		
For cases of persistent bad debt, more consistent action needs to be taken. Where the debtor is routinely delaying or cancelling attempts to resolve the issue, records should be kept of all contact attempts, including date and time of any phone calls at different times of the day, copies of letters sent and meetings that are cancelled. This can be presented to Court as evidence that the Board has made every effort to resolve the situation.		

#### Subject Area 4.2 – Accounts Payable

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
4. Supporting Documentation		
Observation		
A review of a sample of payments made included some over £5,000 that were not supported by copies of quotes.	Medium	In some cases there may only be one supplier for specialist goods or services. In these
In one instance several consecutive orders were placed on the same day with the same contractor for work in different locations during November and December. When the value of the orders		cases it should be noted on the order and Operations
were added together the totals exceeded £5,000 for both months. The orders had been authorised by the Operations Manager only.		Managers will be reminded of this.
Consequence		Finance Officer
<ul> <li>Financial Regulations state that orders of &gt;£5,000 and &lt;=£50,000 should:</li> <li>have 3 written quotes (section D1),</li> </ul>		With immediate effect
<ul> <li>that the quotes should be attached to the invoice (section D16) and</li> </ul>		A framework contract is in
<ul> <li>be authorised by the Chief Executive (section D11)</li> </ul>		place in effect for the contractor services used in
Whilst the Auditor is satisfied that no inappropriate expenditure has occurred in these cases, Financial Regulations have been breached.		November and December. Considerable training of the contract personnel is
In the case of the multiple orders for the same kind of work, it may also not be cost effective to hire plant and machinery on an ad hoc basis.		required to ensure they comply with the necessary
		regulations and as a result the choice of contractors is

Subject Area 4.2 – Accounts Payable

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
Recommendation Remind staff to send written quotes to the Finance Officer with the purchase order and invoice. Consider if a framework contract would provide better value for money for frequent contract work.		limited to a few suppliers. A proposal is being developed to present to the eastern area Boards to combine the workforces and employ more capacity internally. This will remove the need to use external contractors on such a scale. Chief Executive July 2015

Internal Audit Services	Borough Council of King's Lynn & West Norfolk	
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# WATER MANAGEMENT ALLIANCE

INTERNAL AUDIT TERMS OF REFERENCE 2014-15

#### 1. INTRODUCTION

1.1 This document sets out the strategy and plan for the audit of the Water Management Alliance for the year 2014-15.

1.2 Section 4 of The Accounts and Audit Regulations 2011 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 2013

1.4 The Internal Auditor will work in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by CIPFA from April 2013 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) IDB
- East Suffolk IDB
- King's Lynn IDB
- Norfolk Rivers IDB
- South Holland IDB.

As such, this work will enable the auditor to complete the Annual Returns for all five Boards.

#### 2. OBJECTIVES AND SCOPE OF THE AUDIT

2.1 The work of the Internal Auditor will be guided by 'Governance and Accountability in Internal Drainage Boards in England – A Practitioners Guide (Rev 2007)'.

2.2 In order to be able to complete section 4 of the Electronic Annual Return for 2014/15 the auditor will consider the following:

A. The Accounting Records

To ensure that the accounting system is accurate, complete and timely, and that data input is being verified appropriately.

- B. Financial Regulations and Standing Orders
   To ensure that they are current and are being adhered to.
- C. Risk Management processes To ensure that management review the Risk Register on a regular basis and that risk is being identified and actively managed in a proportionate manner.
- D. Budgetary Controls

To ensure that the budgets are prepared on a realistic basis and are monitored throughout the year and any variations are investigated, with corrective action being taken if necessary.

E. Income Controls

To ensure that processes are in place and functioning correctly to collect, record and bank income in full and on time with a particular focus on rating collection procedures.

F. Petty Cash Procedures

To ensure petty cash provisions are reasonable, used in accordance with Financial Regulations and adequate records are kept of payments made.

G. Payroll Controls

To ensure that remuneration to employees and Board Members is calculated correctly and in accordance with the levels agreed by the Board, and that all HMRC requirements are complied with.

H. Asset Management

To ensure that there are satisfactory processes in place to maintain the register and check for accuracy.

I. Bank Reconciliation

To ensure that periodic and year-end bank account reconciliations were properly completed and verified.

J. Year-end Procedures

To ensure that the appropriate accounting basis have been used to prepare the year-end accounting statements and that figures contained in the statements can be verified by reference to working papers and accounting records.

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.

#### 3. TASKS

- 3.1.1 The project tasks are to:
  - Establish if the procedures recorded as part of the audit for 2013-14 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 Return for 2014/15.

#### 4. WORK PLAN

- 4.1 The audit will be undertaken by Mrs Kate Littlewood, CMIIA Audit Manager, Borough Council of King's Lynn and West Norfolk.
- 4.2 The audit has been allocated 5 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 2013-14 audit report.	0.5
Testing – to establish that processes are being applied as intended.	3.5
Conclusions and discussion	0.5
Completing the Return and reporting if required.	0.5

#### 5.0 AGREEMENT

	Signature	Date
Phil Camamile Chief Executive,		
Water Management Alliance		
Kate Littlewood		
Audit Manager		
Borough Council of King's		
Lynn and West Norfolk		