Norfolk County Council
at your service

Audit Committee

Supplementary Agenda

Time:	**10.30am**
Date:	**Thursday 26 September 2013**
Venue:	**Colman Room, County Hall**

Please find attached the following reports that were marked 'to follow':

Chris Walton
Head of Democratic Services
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 19 September 2013

IN TRAN communication for all

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Norfolk County Council

Audit Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

26 September 2013

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Building a better working world

Contents

Executive Summary
Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to 'those charged with governance' on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2012/13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial Statements

- As of 18 September 2013, we expect to issue an unqualified opinion. Our audit demonstrates that the Council has prepared its financial statements well and this is reflected in the low number of issues to bring to your attention.

Value for Money

- We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources .

Whole of Government Accounts

- We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit Certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion.

Extent and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to

- Express an opinion on the 2012/13 financial statements
- Report on any exception on the governance statement or other information included in the foreword
- As a component auditor within the Whole of Government Accounts process, follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)

This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and material internal control findings

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than this specified parties.

Addressing audit risks

Significant Audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Significant audit risks		
Norse Group Ltd is a significant component company within the Norfolk County Council group. Norse Group Ltd is significant to the group based on both its size and other risk factors; specifically that it has a non-coterminous year end. Production of statements and disclosure notes for the group accounts and the closedown and consolidation process for Norse Group Ltd therefore presents a significant financial statement risk.	Our approach included: ▶ Assessing the group accounting instructions and consolidation schedules issued to Norse Group Ltd by Norfolk County Council. ▶ Liaising with Grant Thornton LLP, the external auditors of the Norse Group, and issuing them with instructions that detail the required audit procedures they are to undertake on the consolidation schedules prepared by Norse. ▶ Ensuring that appropriate consolidation procedures are applied when consolidating Norse Group Ltd into the Norfolk County group accounts.	• Group audit instructions issued to Grant Thornton LLP requiring them to provide an opinion as to whether the consolidation schedules as at 31 March 2013 had been prepared in line with the group accounting instructions issued by Norfolk Council as parent undertaking. • Ongoing liaison with Grant Thornton throughout the audit process; including a review of their working papers. • Audit procedures undertaken to ensure that the Norse Group Ltd consolidation schedules were correctly consolidated into the Norfolk County Group Accounts; adjusting for intra group transactions and balances. • Sufficient assurance gained from audit procedures noted above to conclude that the group financial statements are not materially misstated. There were no issues arising from this work.
The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the administering body.	Our approach included: ▶ Liaising with the auditors of the administering authority, to obtain assurances over the information supplied to the actuary in relation to the Norfolk County Council. ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary to the Audit Commission, PwC. Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.	• Sufficient assurance gained from audit procedures undertaken to conclude that the IAS 19 disclosures within the financial statements are not materially misstated. There were no issues arising from this work.

Addressing audit risks
Other Audit risks

We identified the following other audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Other audit risks		
Schools have continued to convert to academy status during 2012/13. This has implications for the treatment of the schools' property, plant and equipment, debtors, creditors, cash, balances and income (including dedicated schools grant) and expenditure within the Council's accounts. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.	Our approach included: ▶ Assessing the arrangements for agreeing with the schools the assets, liabilities and balances for transfer. ▶ Reviewing how the transfers have been accounted for.	• Sufficient assurance gained from audit procedures undertaken to conclude that the financial statements are not materially misstated in respect of accounting for the conversion of schools to academy status. • One disclosure issue arose from this work. The draft financial statements did not contain a subsequent events note detailing those school s transferring to academy status in 2013/14. This omission has now been corrected and the statements now contain such a note detailing the transfers and the potential impact on the 2013/14 financial statements
Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.	Based on the requirements of auditing standards our approach focused on: ▶ Identifying any fraud risks during the planning stages of the audit. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by the Audit Committee, as those charged with governance, of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate audit strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks. We also considered the results of the Audit Commission's National Fraud Initiative.	• We have designed and implemented appropriate procedures to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. There were no issues arising from this work.

Financial Statements audit

Issues and errors arising from the audit

Progress of our audit

- The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:
  - Receipt of a Letter of Representation
  - Whole of Government Accounts
  - Testing of pre and post year end transactions to confirm allocated to the correct financial year
  - Testing of transactions within the Norfolk Firefighters Pension Fund Accounts.
- Subject to the satisfactory resolution of the above items, we propose to issue and unqualified audit report on the financial statements.

Corrected Errors

Our audit identified a limited number of errors which we have highlighted to management for amendment. All of these have been adjusted during the course of our work.

We do not consider any of these to be significant and the majority are disclosure in nature. None have a material impact on the primary statements or supporting notes. Therefore we have not provided further details of these amendments.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

As part of our audit procedures we reviewed the disclosures within Note 48 Contingent Liabilities; specifically in relation to the Waste PFI contract as we are aware that the contract is significant and represents a politically sensitive issue.

Based on our assessment of the disclosures in Note 48 relating to the Waste PFI contract and on the audit evidence made available to us, we consider that the disclosures are appropriate.

Findings and issues

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, for which we do not currently have sufficient audit evidence. In addition to the standard representations we have requested an additional representation relating to the current status of the Council's Waste PFI contract.

Whole of Government Accounts

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

As noted on page 7, we are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Norfolk County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - Arrangements for securing financial resilience

- "*Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future*"
- We did not identify any significant risks in relation to this criteria.
- We have no issues to report in relation to this criteria

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- *"Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."*
- We did not identify any significant risks in relation to this criteria.
- We have no issues to report in relation to this criteria

Independence & Audit Fees

Independence

- We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan issued in April 2013.
- We complied with the Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 26 September 2013.
- We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (ISA) 260. Our communication plan to meet these requirements were set out in our Audit Plan issued in April 2013.

Audit fees

The table below sets out the scale fee and our final estimated audit fees.

	Estimated final fee 2012/13	Scale fee 2012/13	Variation comments
	£s	£s	
Total Audit Fee – Code work	177,860	156,060	See below
Certification of claims and returns	4,300	4,300	n/a

- Our estimated final fee is £21,800 higher than the scale fee. This additional fee is in respect of:
  - Instructing and liaising with group auditors regarding the audit risk arising from non-coterminous year ends within the Group (£14,300); and
  - Considering and responding to issues raised by electors in relation to the Energy from Waste PFI Scheme (£7,500).
- We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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Ernst & Young LLP

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

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission's website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

[redacted]

Norfolk County Council
Annual Statement of Accounts and Annual Governance Statement 2012/13

Report by the Head of Finance

Summary
This report summarises the Statement of Accounts of Norfolk County Council for 2012/13 which has been subject to external audit by Ernst & Young. The Head of Finance anticipates that the Council will receive an unqualified audit opinion.

The Statement of Accounts is presented in the format required for statutory external reporting requirements. The report summarises changes to the Accounts as a result of the implementation of revised financial reporting requirements, and summarises changes which have been made as a result of audit and officer review during the audit period.

The final position for all departments as reported to Cabinet on 10 June 2013 was a net underspend of £3.908m.

The Council has net assets of £371.842m at 31 March 2013 which is a decrease compared with 2012 (£477.363m), due primarily to increased pension liabilities.

This report also introduces the proposed Annual Governance Statement 2012/13, and provides assurance that the organisation's governance framework, including the system of internal control and internal audit, is adequate and effective for the purpose of the relevant regulations.

Recommendations
The Audit Committee is requested to:

- note that, following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations
- consider and approve the Annual Governance Statement (Appendix 1) and commend the statement for signature by the Leader and the Acting Managing Director
- consider and approve the Council’s 2012/13 Statement of Accounts (Appendix 2).

1. Introduction

1.1 As part of the formal process of closing the County Council's 2012/13 accounts, Members are required to consider and approve the Annual Governance Statement attached as Appendix 1 to this report, and to approve the Statement of Accounts ("the accounts"), attached as Appendix 2, by 30 September. This process of approval is included within the Committee's terms of reference.

1.2 The Council's external auditor, Ernst & Young, has examined the accounts. Their examination is now substantially complete and there is a separate report from them on this agenda.

1.3 This report summarises the contents of the Annual Governance Statement, and of the accounts, and highlights any significant issues arising from the audit or as a result of officer review during the audit period.

2. Background

2.1 The Accounts and Audit (England) Regulations 2011 issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Council's Statement of Accounts.

2.2 The Head of Finance is satisfied that the Statement of Accounts has been prepared in accordance with both the current Code of Practice on Local Authority Accounting in Great Britain (the Code) and the Service Reporting Code of Practice for Local Authorities (SeRCOP) supported by International Financial Reporting Standards (IFRS) and other statutory guidance. The Statement of Accounts is required to present a true and fair view of the County Council's financial position at 31 March 2013 and also the income and expenditure for the financial year.

2.3 The Council continues to prepare the 2012/13 Statement of Accounts under International Financial Reporting Standards.

2.4 There have been no changes in accounting policy since 2011/12.

2.5 The Head of Finance reported the final revenue and capital expenditure positions for 2012/13 and the provisions and reserves held at 31 March 2013 to Cabinet on 10 June 2013. The net expenditure reported in June has been reconciled to the Comprehensive Income and Expenditure statement in note 29 to the accounts.

2.6 Figures reported to Cabinet on 10 June 2013 have not changed apart from a self balancing adjustment to capital expenditure financing detailed in paragraph 2.7 below. The general fund balance in the Movement in Reserves Statement has increased by £4.495m from £18.199m at 31 March 2012 to £22.694m at 31 March 2013. Details of movements on this balance are shown in paragraph 5.8.

2.7 Following the 10 June Cabinet the opportunity arose to amend the allocation of funding sources in respect of the Council's capital expenditure in 2012/13 with the advantage of minimising the impact of the minimum revenue provision (MRP) on future revenue budgets. As a result, the financing of capital expenditure from Revenue and Reserves increased by £994,389.14, with an equal reduction in the borrowing requirement. The total for capital expenditure of £122.493m remains unchanged.

2.8 A four week public inspection period commencing Tuesday 9 July was publicised in accordance with the relevant regulations, with a press advertisement and information on the Norfolk County Council web site.

2.9 In accordance with good practice, the draft 2012/13 Statement of Accounts has been publicly available on the Council's web site since 8 July.

2.10 Ernst & Young started their detailed examination of the accounts in July and will present their Audit Results Report to this meeting. They will only be able to formally conclude the audit, and issue their report and certificate once they have received a copy of the Statement of Accounts as approved by this Committee.

2.11 Any further audit amendments to these accounts between the date of this report and the meeting will be notified to members of the Audit Committee at the meeting.

2.12 The Accounts and Audit Regulations require that the 2012/13 Statement of Accounts must be published by 30 September.

3. Annual Governance Statement

3.1 Regulations require that:

- the Council must conduct a review at least once a year of the effectiveness of its system of internal control, including internal audit;
- findings of this review should be considered by the Council;
- the Council must approve an Annual Governance Statement; and
- the Annual Governance Statement must accompany the Statement of Accounts.

3.2 For Norfolk County Council the Audit Committee undertakes these duties on behalf of the Council.

3.3 Guidance for the preparation, review and reporting of the Annual Governance Statement has been issued by CIPFA /SoLACE and has been used in its preparation.

3.4 The Head of Finance reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Head of Finance reported to the Audit Committee on 24 June 2013 that in his opinion the system of internal control including the arrangements for the management of risk during 2012/13 was acceptable and therefore considered sound. There were no findings with respect to his review of the system of internal control. The Committee accepted this opinion. That report also set out how the Council undertakes an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. The draft Annual Governance Statement was published along with the draft Statement of Accounts in July on the Council's website.

3.5 The Accounts and Audit Regulations require the preparation of an Annual Governance Statement, signed by the Leader and the Acting Managing Director. Guidance for the preparation, review and reporting of the Annual Governance Statement has been issued by CIPFA /SoLACE and has been used in its preparation.

3.6 The Statement is not covered by the External Auditor's opinion. In previous years, the Annual Govenance Statement has been incorporated into the Statement of Accounts. This year it has been published separately.

3.7 The Statement confirms that, during the 2012/13 financial year, and up to the date the accounts are published, overall Corporate Governance arrangements and internal controls in the Council were in place and effective in terms of business as well as financial risk. It also confirms that areas where controls need to be developed or improved are known about and are being actioned.

3.8 An Annual Governance Statement is attached as Appendix 1. It is commended to the Committee for approval.

4. Changes to the Presentation of the Accounts

4.1 Each year the Code of Practice on Local Authority Accounting is revised and updated to ensure accounts produced by local authorities comply, where relevant, with the latest accounting standards.

4.2 There have been a small number of changes to the way in which the 2012/13 Statement of Accounts are presented, in particular:

- The publication of the Annual Govenance Statement as a separate document.
- A change from landscape to portrait format. The purpose of this was to aid the user of the accounts by significantly reducing the number of pages.
- Group accounts are now included as a separate section after the single entity accounts.
- A separate Audit Opinion in respect of the Pension Fund accounts.

4.3 Comparative figures for 2011/12 have been re-stated due to the re-classification of grants and contributions: in particular a number of grants thought to be service specific were found to be non-ring fenced. The impact of this re-classification was an increase in net assets from £476.574m to £477.363m as at 31 March 2012.

5. Statement of Accounts – Content

5.1 The accounts are set out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. There have been no significant changes to generally recognised accounting practices affecting the Council since 2011/12.

5.2 The Statement of Accounts includes the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, a Balance Sheet and Cash Flow Statement. In addition there is a summary of the Fire fighters' pension scheme, the Norfolk Pension Fund Accounts, and Norfolk County Council's Group Accounts which incorporate the financial results, where material, of companies controlled by the Council.

Explanatory Foreword

5.3 The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters in the accounts.

Statement of Responsibilities

5.4 This statement sets out the respective responsibilities of the Council and the Head of Finance in relation to the production of the final accounts.

Independent Auditors' Report

5.5 This report will set out the External Auditor's opinion in respect of the Statement of Accounts. Based on an assumption that this committee will agree to approve the Statement of Accounts, the Council expects to receive an unqualified audit opinion in respect of the Council's accounts and the pension fund accounts.

Movement in Reserves Statement

5.6 This statement shows the movement during the year of all the Council/Group's useable and unusable reserves and shows the aggregate change in its net worth.

5.7 In addition to any surplus generated on the provision of services, the statement includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

5.8 The 31 March 2013 General Fund Balance stands at £22.694m:

	£m
General Balances at 31 March 2012	18.199
2012/13 Revenue budget net underspend reported to 10 June Cabinet	3.908
2011-12 underspend to be used in 2012-13 as agreed by County Council 13 February 2012	(1.221)
Transfer from forecast 2012-13 underspend in respect of 2013-14 budget decisions, approved by County Council 18 February 2013	1.159
Transfer from forecast 2012-13 underspend on Finance General in respect of 2013-14 County Council Elections	0.650
Rounding adjustment	(0.001)
Net increase in the General Fund Balance in the Movement in Reserves Statement	4.495
General Balance at 31 March 2013 reported to 10 June Cabinet, and shown as the General Fund Balance in the Movement in Reserves Statement	22.694

5.9 The General Balance shown above has not changed since agreed by Cabinet on 10 June 2013.

Comprehensive Income and Expenditure Statement

5.10 The Comprehensive Income and Expenditure Statement shows the resources generated and consumed by the Council, including income and expenditure associated with each major service heading.

Balance Sheet

5.11 The Balance Sheet statement sets out the financial position of the Council at 31 March 2013. The statement shows the balances and reserves at the Council's disposal, its long-term borrowing, and the fixed assets and net current assets employed. The principal movements on the balance sheet are described below.

5.12 The value of the Council's intangible assets (note 16) has decreased from £4.641m to £1.483m. This primarily represents depreciation, with no acquisitions made in 2012/13.

5.13 Short term investments have increased from £95.078m to £154.004m, due to an increase in loans and receivables which in turn is due to an increase in the proportion of surplus cash invested for longer periods, with less invested on the money markets.

5.14 The levels of both long term and short term debtors (note 19) are broadly comparable to the 31 March 2012 balances. Long term debtors have decreased mainly as a result of an early debt repayment by the Norse Group, while amounts owed by NHS bodies have contributed to higher short term debtors.

5.15 Cash and cash equivalents (note 20) have decreased from £117.826m to £70.146m due to a decrease in the amount of surplus cash invested on the money markets.

5.16 Total long and short term provisions (note 23) increased from £20.531m to £29.044m due mainly to the recognition of a landfill provision in the Council's accounts. The landfill provision represents the discounted cost of making adequate provision for the monitoring and maintenance of closed landfill sites. Prior to 31 March 2013, all after-care expenses were treated as annual revenue costs. From 1 April 2013, a proportion of these costs will be funded through the provision. The provision is balanced by an increase in value of the landfill sites, and has not resulted in a charge to the general fund.

5.17 Total long-term liabilities increased from £1,303.130m to £1,436.251m due mainly to an increase in pension liabilities.

5.18 There is an increase in the in the Council's Pension Liability (Local Government Pension Scheme and Fire-Fighters Pension Scheme) with the reported deficit increasing from £678.423m to £823.518m. (note 47). The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

5.19 The Balance Sheet includes a consolidated statement incorporating Norse Group assets and liabilities.

<u>Cash Flow Statement</u>

5.20 The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes. The statement shows any increases or decreases in cash and cash equivalents as summarised in paragraph 5.15 above.

Notes to the Core Financial Statements

5.24 The first note to the Accounts is the Statement of Accounting Policies which summarises the accounting rules and conventions that have been used in preparing the accounts.

5.25 The Code requires that some specific notes have to be included in the Statement of Accounts, e.g. disclosure of related party transactions. In addition, other notes may be added in order that a reader of the accounts has sufficient information to have a good understanding of the Council's activities.

5.26 The "movement in reserves statement – adjustments between accounting basis and funding basis under legislation" note 8 reconciles the total comprehensive income and expenditure recognised in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

5.27 The Waste PFI contract contingent liability note has been reviewed and updated to reflect the information reported to Cabinet Scrutiny Committee on 4 June 2013. The Head of Finance is satisfied that the disclosure within the 2012-13 Statement of Accounts meets the Code of Accounting Practice and statutory reporting requirements.

Fire Fighters' Pension Fund

5.28 This statement summarises the pension arrangements for the fire fighters' pension scheme.

Group Accounts

5.29 As well as publishing its accounts as a single entity, Norfolk County Council must also publish group accounts which incorporate the financial results, where material, of companies and other entities controlled by the Council – primarily the Norse Group of companies.

5.30 The group accounts are shown as a separate section in the statement of accounts.

5.31 The group accounts comprise group movement in reserves, group comprehensive income and expenditure, the group balance sheet and a group cash flow statement. It also includes notes to the group accounts where these differ or include information in addition to the single entity accounts.

Pension Fund Accounts

5.32 These are the detailed Pension Fund Accounts, which are being reported to the Pensions Committee on 24 September 2013.

6. Accounting Adjustments

6.1 There have been no material adjustments to the accounts since the draft dated 28 June.

6.2 Prior to and during the audit, officers and Ernst & Young have identified a number of adjustments to correct non-material errors or to enhance disclosures within the financial statements and associated notes.

6.3 With the agreement of the auditors, adjustments and corrections have been made accordingly, and a number of disclosures added or enhanced. The net result of the adjustments has been a reduction in the stated net assets from £375.444m to £371.842m. This was primarily the result of a correction of an error in the capital accounting systems used to calculate annual depreciation charges, identified by officers after 28 June.

6.4 Any material changes to the Pension Fund accounts since the draft accounts were approved for Audit by the Head of Finance in June are reported to the Pension Committee.

6.5 A summary of the Statement of Accounts will be prepared in order to facilitate wider discussion at Cabinet on 4 November, and the County Council on 25 November. The summary, along with the full Statement of Accounts, will be published on the Council's web site.

7. Resource Implications

7.1 There are no finance, staff, property or IT implications arising from this report.

8. Other Implications

8.1 There are no legal, human rights, and communication implications arising from this report. The contents of this report do not directly impact on equality, in that it is not making proposals that will have an impact on equality of access or outcomes for diverse groups.

9. Risk Implications/Assessment

9.1 There are no risk implications arising from this report.

10. Section 17 Crime and Disorder Act

10.1 There are no direct implications of this report for the Crime and Disorder Act.

11. Alternative Options

11.1 There are no alternative options that the Audit Committee needs to consider.

12. Conclusion

12.1 The 2012/13 Statement of Accounts has been produced in accordance with statutory regulations. The audit of the accounts is now substantially complete and it is anticipated the Council will received an unqualified audit opinion.

13. Recommendations

The Audit Committee is requested to:

13.1 **note that, following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations.**

13.2 **consider and approve the Annual Governance Statement (Appendix 1) and commend the statement for signature by the Leader and the Acting Managing Director.**

13.2 **consider and approve the 2012/13 Statement of Accounts (Appendix 2).**

Officer Contact

If you have any questions about matters in this paper please get in touch with:

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If you need this statement in large print, audio, Braille, alternative format or in a different language please contact Howard Jones on 01603 222832 or textphone 0344 8008011, and we will do our best to help.

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Appendix 1

Annual Governance Statement for Norfolk County Council 2012-13

1 Introduction

1.1 The Accounts and Audit (England) Regulations 2011 require that

- the Council must conduct a review at least once a year of the effectiveness of its system of internal control,
- findings of this review should be considered by the Council,
- the Council must approve an Annual Governance Statement and
- the Annual Governance Statement must accompany the Statement of Accounts. For Norfolk County Council (The Council) the Audit Committee undertakes these duties on behalf of the Council.

1.2 The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reported to the Audit Committee on 24 June 2013 that in his opinion the system of internal control including the arrangements for the management of risk during 2012-13 was acceptable and therefore considered sound. There were no findings with respect to his review of the system of internal control. The Committee agreed with this opinion. This statement will be submitted to the Audit Committee for approval with the Statement of Accounts at the September meeting of the Committee.

2 Scope of responsibility

2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2.2 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at www.norfolk.gov.uk or can be obtained from Mr P D Brittain, Head of Finance, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW.

2.3 Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, the Council has to include within the Annual Governance Statement reference to controls where significant activities take place through a group entity.

2.4 This statement explains how the County Council has complied with the Code of Corporate Governance and meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.

2.5 The County Council administers the Norfolk Pension Fund and the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements.

2.6 The County Council hosts or is represented in several Joint Committees which are

- Norfolk Records Committee,
- Norfolk Joint Museums and Archeology Committee,
- Eastern Shires Purchasing Organisation (ESPO),
- Norwich Highways Agency Committee,
- Eastern Inshore Fisheries and Conservation Authority (formerly the Eastern Sea Fisheries Joint Committee) and
- Norfolk Parking Partnership Joint Committee

In accordance with the regulations, all except Norwich Highways Agency Committee and the Norfolk Parking Partnership Joint Committee, publish their own Annual Governance Statements.

2.7 The County Council has several wholly owned companies and a part owned company.

2.8 NORSE Group Limited is a company wholly owned by the County Council. It is the parent company of NPS Property Consultants Limited, Norfolk Environmental Waste Services Ltd, Norse Commercial Services Ltd and Norse Care Ltd, plus their subsidiaries. These companies are referred to throughout this statement as NORSE. The governance arrangements for NORSE are included in the body of this report and where there are unique arrangements these appear at the end of each section and in a separate section where the arrangements are specific to NORSE.

2.9 Three other companies were established during 2011-12: Norfolk Energy Futures Ltd and Hethel Innovation Ltd, which are wholly owned and The Great Yarmouth Development Company Ltd (previously known as Norfolk Regeneration Company Ltd to 23 May 2012) which is 50% owned by NCC, the remaining 50% is owned by Great Yarmouth Borough Council. All three companies incurred setting up expenses during the 2012/13 financial year and a description of their activities has been included as a note to the accounts for 2012/13. The level of trading with customers has been minimal in the financial year, and expenditure has remained below £1.5m. All three companies are compliant with the requirements of the Companies Act 1987, including requirements with regards to governance arrangements. NCC has Member and officer representation on both Hethel Innovation Ltd and The Great Yarmouth Development Company Ltd. As for Norfolk Energy Futures Ltd, there is officer representation on the Board and the Board reports annually to NCC Cabinet.

3 The purpose of the governance framework

3.1 The governance framework comprises the systems and processes, culture and values by which the County Council is directed and controlled, and through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 NORSE has a system of governance which is the responsibility of the Board of Directors. It is designed to give the Directors adequate information to review the activities of the Group and to review and control the business risks. NORSE also reports regularly to its sole shareholder, the Council. This reporting is achieved by reporting to Cabinet, to the Shareholder Committee and to the County Council's Head of Finance.

3.4 The NORSE Board includes a Member of the County Council and was chaired by the then Chief Executive of the County Council. The County Council holds control of the Group of Companies. Another Member attends Board meetings as shareholder representative.

3.5 The governance framework has been in place at the County Council and NORSE for the year ended 31 March 2013. A significant change happened on Friday 5 April, following the Chief Executive's post being made redundant and the post being replaced by a new post for a Managing Director. The Head of Human Resources and Organisational Development was appointed to act as Acting Managing Director. Following the County Council elections on 4 May 2013 and a change in political leadership the lead officer role in the organisation is being reviewed and the Acting Managing Director will continue in her role until the review is concluded.

4 The Governance Framework

The key elements of the systems and processes that comprise the Council's and NORSE's governance arrangements are described below. In drawing up this statement a wide range of officers have been consulted – See note 1 to this Governance Statement.

	Control	Effectiveness
4.1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	The County Council continues to manage significant changes as a result of the economic downturn. During financial years 2010-2013 the Council responded to the financial pressures through a comprehensive review of its role and priorities. This review was subject to extensive consultation (the Big Conversation) to seek views on the overall direction of the County Council and achieved savings targets of £140M over three years. With economic forecasts showing that financial pressures will continue and increase, the Council has launched a new comprehensive review during 2012-13, which will support further prioritisation of its activities for years 2014-2017. That review will be supported again by extensive consultation with the citizens and service users in Norfolk. Our County Council Plan sets out our overall strategic and financial framework for Council services over a three year time frame and is refreshed annually during the three year period. A new County Council Plan for 2012-15 was agreed by County Council. The County Council Plan 2012-15 confirmed that the previous three strategic ambitions should remain. These are the areas fundamental to the overall economic, social and environmental wellbeing of Norfolk. By focussing on these ambitions, we aim to

	Control	Effectiveness
		lead and bring about a step change for Norfolk. Our strategic ambitions are for Norfolk to: • Be an… Inspirational place with a clear sense of identity. • Have a … Vibrant, strong and sustainable economy. • And have… Aspirational people with high levels of achievement and skills. Supporting this, the County Council Plan sets out our core role, our priorities and how these will be delivered in the medium term. Our core role sees us focus our efforts and money on: • Speaking up for Norfolk, • Assessing and Commissioning, • Supporting, developing and maintaining the infrastructure that helps our economy, • Enabling communities, • Being a safety net for the most vulnerable people and • Signposting people to the services they need. The County Council Plan also sets out the challenges we are facing, our approach for change and transformation and how we work, including linking to the County Council Financial Strategy and Medium Term Financial Plan. Our County Council Plan 2012-15 can be accessed on the Council's website. The Transformation Programme (Norfolk Forward) portfolio, overseen by the Chief Officer Group, encompasses the large programme of change we are implementing across the organisation, to transform the way we work and to deliver the budget savings that were agreed by Council in February 2011 and 2012. A new programme of work will be derived from the current review project, reported to Cabinet in April 2013 which encompassed the programme of change for the period 2014-17. During 2012-13 the Council has made preparations for taking over Public Health functions from 1st April 2013. Individual NORSE companies have separate mission, vision and value statements.
4.2	Reviewing the Council's vision and its implications for the authority's governance arrangements.	To ensure the Council is always working in the best interests of the people of Norfolk, Members and Officers review its medium term plan (the County Council Plan) annually. The planning cycle incorporates a contextual and financial review reported to Cabinet as part of the annual planning framework. Emerging issues are reported to Cabinet to inform decision making on the Council's future direction and medium term plans. Agendas and minutes for all public County Council, Cabinet

	Control	Effectiveness
		meetings, Cabinet Scrutiny and the Overview and Scrutiny Panels are accessible on the Council's website. The Norfolk Forward programme and the Big Conversation described in section 4.1 have set out arrangements for a programme of change to deliver the vision for the Council. A comprehensive review of the authority's functions began in November 2012, lead by the then Chief Executive, and more recently by the Acting Managing Director. This review is being managed by Chief Officers. The aim is to incorporate greater innovation and flexibility in the Council, being more self sufficient in funding terms and placing less reliance on government grant. The approach to the Review is in two phases and recommendations were reported to Cabinet in April 2013 at the conclusion of the 1st phase. The recommendations include proposals for any revisions to the strategic ambitions and core role for incorporation into the business planning process for 2014-15. The strategic ambitions and core role set out the vision for the role of the County Council within Norfolk for the medium term. (These were subject to the adoption by the new Council following the May 2013 elections). The review is also looking at how the County Council is structured and responsibilities allocated across departments and the end of phase 1 Report to Cabinet also included proposals for a new operating model for the County Council together with illustrations of how the Council might organise to align with the model, which will serve as ideas for reflection by the Authority and its new senior officer. The overall purpose of the comprehensive review is to provide the firm foundations for a radically different kind of local authority, which has at its core a much-changed relationship with its communities, residents and businesses At the centre of the review is the ambition of changing the assumptions and principles that inform how the County Council carries out its core responsibilities to support the continued aspiration to be a flagship council, focussed on supporting the well-being of Norfolk as a whole. The mission, vision and value statements of the individual NORSE companies are reviewed regularly and included in the annual business plan approved by the Board. The County Council has made preparations to fully incorporate the governance of the public health functions into those of the Council. The Audit Committee considers the governance arrangements (as set out in this statement) are sufficient to fully support the Council's vision.
4.3	Translating the	Our service objectives set out how we will deliver our core role

	Control	Effectiveness
	vision into objectives for the authority and its partnerships	and Chief Officers have prepared service plans against these objectives identifying the planned actions, key milestones and responsible officers. Each service plan supports directly the corporate vision: the strategic ambitions and the core role, as detailed in the County Council Plan. Working with a range of partners and partnerships is core activity for the County Council and it is through that joint working with public, private and third sector partners, as well as with neighbourhoods, local communities and citizens, that the County Council will achieve its objectives. There has been significant change in the strategic partnership landscape and the new partnership arrangements reflect the new policy direction for health & wellbeing, the economy and community safety. We have the new Norfolk Health & Wellbeing Board which provides strategic systems leadership on work to improve the health and wellbeing in Norfolk and the ‘New Anglia’ Local Enterprise Partnership which is taking the strategic lead for developing a clear vision and set of economic priorities. The Countywide Community Safety Partnership has also been established and provides strategic leadership of the community safety agenda in Norfolk. In March 2013 the County Council established the Norfolk Health and Wellbeing Board as a committee of the County Council. The Board brings together a wide range of partners and NCC is represented as follows: Leader of the County Council, Cabinet Member for Community Services, Cabinet Member for Children’s Services, Managing Director, Director of Public Health, Director of Children’s Services, and the Director of Community Services. The County Council is represented on the Local Economic Partnership through the Assistant Director Economic Development and Strategy and Member representation on its board. The County Council is represented on the he County Community Safety Partnership by the Cabinet Member for Community Protection, Director of Community Services, Chief Fire Officer, Assistant Director Community Protection and Head of Community Safety.
4.4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council’s objectives	In May 2011, Cabinet agreed a new performance management framework for the County Council. This reflects the new challenges and changing role of the Council, a new government policy that reduces some government inspection, a drive to increase transparency and local accountability and removal of the National Indicators. It provides a balanced approach to performance reporting

	Control	Effectiveness
	and for ensuring that they represent the best use of resources and value for money	through a framework focussed on four themes: • Managing change • Managing resources • Quality and performance of services • Outcomes for Norfolk people The framework is used to report to the public, our partners, Cabinet, Overview and Scrutiny Panels, and Departmental Management Teams. The reporting timescales are set out in the full report to Cabinet on 9 May 2011. This continues our approach to providing integrated performance reporting incorporating service, risk and financial monitoring information. The Audit Commission is an independent public body responsible for ensuring that public money is spent economically, efficiently, and effectively. The Commission appoints external auditors to report on the Council. Each year the external auditor is required to conclude whether the Council has put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Boards for the NORSE companies include senior member and officer representation appointed by the Council to consider their performance.
4.5	Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	The County Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The law requires us to have some of these processes, whilst others are a matter for the Council to choose. The Constitution link can be found on our website and includes all of these issues, including a scheme of delegation. A Constitution Advisory Group was established in 2011 and reviewed the Constitution during 2011-12. The review led to the Council approving some changes to the Constitution which were approved by Council at its 26 September 2011 meeting. The report and minutes are available on the Council's website. With regard to future years, the Council agreed to consider moving from a Leader and Cabinet system to a Committee system at its meeting on 24 May 2013. Under the current cabinet system most decisions are made by a cabinet comprising up to 10 members. Under a committee system decisions are made by all-party committees with membership reflecting the overall political makeup of the council (the proportions are set under the Widdicombe rules). In furtherance to the above, the Council instructed the Corporate Resources Overview and Scrutiny Panel (CROSP)

	Control	Effectiveness
		to constitute and make appointments to the Constitution Advisory Group (CAG) and to further instruct CROSP to receive CAG's deliberations and prepare an urgent report to the Council concerning a change to the committee system of governance. In March 2013, the Constitution Advisory Group considered the implications of the health reforms following which the Council approved recommendations for changes to the Constitution to establish the Norfolk Health & Wellbeing Board. In doing so the Council agreed that key areas of governance contained in the Council's Procedure Rules for Committees, such as quorum and debate, would apply and that the Chair of the Health & Wellbeing Board would be required to report to Council after each Health & Wellbeing Board meeting. The External Partnerships Protocol, issued by the Head of Law, provides guidance for officers in the development and operation of partnerships. Built into that protocol is the specific responsibility for the Chief Officer/Lead Officer to ensure that any Member representatives understand the scope of their authority on the partnership and that the terms of reference of any partnership arrangement is explained to all Members who have an involvement with it. In addition, there is specific advice available from the Head of Law, on the Position of County Council Appointees on Outside Bodies, which summarises the legal position of members and officers appointed to serve on outside bodies. NORSE has its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines actions which require prior approval of the Council.
4.6	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.	The County Council's Constitution includes a Members Code of Conduct. Changes to the standards regime governing Members, including changes to the Members' Code of Conduct, have been introduced through the Localism Act 2011. A report by the Chairman of the Constitution Advisory Group on Localism Act 2011 – Changes to the Standards Regime was reported to the Council at is meeting on 8 May 2012. The changes have been adopted from 1 July 2012. Our Human Resources Shared Service produces a Standards of Conduct and Behaviour Policy for employees. It is published on PeopleNet which is available to all staff. It is provided to all employees on appointment and forms part of their conditions of employment. The Constitution Advisory Group reviews standing orders and all other aspects of the Constitution annually and recommends appropriate changes for the approval of the Council. For NORSE these areas are the responsibility of the Board and

	Control	Effectiveness
		include written standards of conduct and behaviour.
4.7	Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality	The County Council's Constitution sets out the decision making framework. Financial Regulations form part of the Constitution and provide the framework for how the County Council manages its financial affairs. The Head of Finance is responsible for ensuring these are reviewed annually and both the Audit Committee and Cabinet consider Financial Regulations prior to their approval by County Council. They apply to every elected Member and officer of the County Council and, when stated, to third parties acting specifically on its behalf. In addition, the County Council also has Contract Standing Orders, a Risk Management Framework and Policy, Financial Procedures and a Scheme of Delegation which are also reviewed on a regular basis to ensure they are effective. The review undertaken in March 2013 by the Constitution Advisory Group considered the effectiveness of the delegation arrangements and decision making for the Norfolk Health and Well-being Board and the conclusions confirmed current provisions as per the Council's Procedure Rules for Committees A new Information Management Service was set up in early 2013, which will oversee all activities relating to Information Management. The new service's strategy gives adequate prominence to the issue of data quality, which had been identified as a weakness in the 2011-12. The new service became fully operational from 1 May 2013.
4.8	Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	The Audit Committee's Terms of Reference set out its duties with respect to the governance arrangements for risk management within the Council. The Committee receives quarterly reports with respect to risk management, including regular reports and reviews of the corporate risk register. The Council has a Risk Management Framework and Policy which is reviewed every two years by the Audit Committee and significant changes are reported to and approved by the Council. Chief Officers regularly report with respect to Risk Management to each of the five Overview and Scrutiny Panels and their reports include the departmental risk registers. Agendas and minutes for all public County Council meetings, including Cabinet, are accessible on the Council's website. For NORSE and the wholly owned companies these areas are the responsibility of the relevant Boards and include written and documented procedures, risk registers and approved authorisation limits. Risk registers are reviewed by the Board twice yearly.

	Control	Effectiveness
4.9	Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	The Council has developed an Anti-Fraud and Corruption Strategy, which is reviewed annually by the Audit Committee. The Audit Committee receives an annual report on the effectiveness of counter-fraud and anti-corruption activities in the year and the framework itself. The actions include those highlighted in the Fighting Fraud Locally publication from the National Fraud Office.
4.10	Ensuring effective management of change and transformation	The Transformation Programme (Norfolk Forward) portfolio, overseen by the Chief Officer Group, encompasses the large programme of change we are implementing across the organisation, to transform the way we work and to deliver the budget savings that were agreed by Council in February 2011 and 2012. A new programme of work will be derived from the current review's blueprint, which will encompass the programme of change for the period 2014-17. The Corporate Programme Office supports Chief Officers, programme managers and project managers in delivering good governance at all levels within the Transformation Programme. "Managing Change" is one of the four themes of the Performance Management Framework. Local Performance Indicators have been established and targets agreed, which are both reported monthly to Cabinet.
4.11	Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and , where they do not, explain why and how they deliver the same impact	The Head of Finance is the Chief Financial Officer for the County Council; he is a member of the Chief Officer Group where the decisions are made with respect to • the development and implementation of strategy • delivery and resourcing for the strategic objectives. He is actively involved in and can influence material business decisions through his membership of this Group, other groups and attendance at Cabinet, committee and County Council meetings. He and members of his team are responsible for • financial strategy and financial planning, in both the short and medium term, • financial planning, • risk management and • budgetary control and accountancy throughout the County Council. The finance function is resourced and fit for purpose and the Head of Finance is a qualified accountant member of CIPFA and has been for more than 30 years. He has wide experience of local authority finance. The Head of Finance confirmed he is to retire with effect from September 2013 and arrangements are in place to fill the role. The Council's financial management arrangements conform to

	Control	Effectiveness
		the governance arrangements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government (2010). For NORSE the results are consolidated into the annual Statements of Accounts of the Council.
4.12	Ensuring the authorities assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact	The Chief Internal Auditor conducted his own self assessment following the publication of the CIPFA Statement on the Role of Internal Audit (2010) and concluded that the governance arrangements, the role and the personal attributes of the Chief Internal Auditor are compliant with all five principles as lead out in the Statement. The Chief Internal Auditor receives all papers addressed to the Chief Officer Group and has a right to attend their meeting, on a need basis. The internal audit plan, as agreed annually with the Audit Committee, fully supports the Chief Internal Auditor in delivering his duties in compliance with the statement, both in terms of the coverage provided through audit work and through time being allocated to ad hoc advice and support to Chief Officers. Plans are in place for a more in-depth review to be undertaken during 2013-14 by a contractor, of Norfolk Audit Services compliance with the above statement as well as compliance with the new industry standards, the UK Public Sector Internal Auditing Standards. NORSE have an internal auditor reporting to the Chairman of the company on audit matters.
4.13	Ensuring effective arrangements are in place for the discharge of the monitoring officer function	The Practice Director, nplaw is the Council's Head of Law and also the statutory Monitoring Officer for the Council. A protocol covering the role and functions of the Monitoring Officer is contained within the Constitution. She is a practising solicitor qualified for over 20 years. An Annual Report from the Monitoring Officer is reported to the June Audit Committee. For NORSE the Company Secretary fulfils this role.
4.14	Ensuring effective arrangements are in place for the discharge of the head of the paid service function	The Chief Executive of NCC has been in post during the whole 2012-13 Financial Year. The Chief Executive's responsibilities were set out in the Council's Constitution (Article 12) and included the statutory role of the Head of the Paid Service. The Council determined in January 2013 that the Chief Executive post would be replaced by the new role of Managing Director, from April 2013, to include the Head of the Paid Service role. (Following the elections in May 2013 the new administration has decided to review the new role). An interim Acting Managing Director is now in post, until the review has been concluded and a substantive appointment is

	Control	Effectiveness
		made to the position. The recruitment process is overseen by the Personnel Committee.
4.15	Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.	The Council set up an Audit Committee in October 2005. The main purposes of the Audit Committee are to: • provide proactive and effective leadership on audit and governance issues, • champion audit throughout the council, • champion risk management throughout the council, • consider the effectiveness of the anti fraud and corruption arrangements and • review the effectiveness of the system of internal control. The minutes and agendas from its quarterly meetings are available on the Council's website. There is also general information on the website about the Audit Committee, including which councillors sit on the committee and its structure. The Committee annually reviews its Terms of Reference and changes are approved by the Council. The Board performs the functions and duties of the Audit Committee for NORSE.
4.16	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	The Practice Director, nplaw is the Council's Head of Law and also the statutory Monitoring Officer for the Council. She seeks to ensure compliance with relevant laws and regulations. A protocol covering the role and functions of the Monitoring Officer is contained within the Constitution. She is a practising solicitor qualified for over 20 years. An Annual Report from the Monitoring Officer is reported to the June Audit Committee. For NORSE the Company Secretary fulfils this role.
4.17	Whistle-blowing and for receiving and investigating complaints from the public	Whenever a member of the public contacts the County Council to either complain or praise the Council, the contact will be dealt with in accordance with our Complaints and Compliments Policy and Procedures. The County Council also has a Whistle-blowing Policy. The Council has an Anti Fraud & Corruption Strategy and this has been updated to reflect best practice. A number of initiatives have taken place during the year and more are planned for 2013-14 to strengthen the prevention, detection and investigation of fraud and corruption. NORSE has its own published Whistle-blowing policy. Norse Board approved internal control arrangements in July 2011, as part of a review at the time of the introduction of the Bribery Act. A Norse Anti-Fraud and Corruption Policy based on the Council's, and incorporating the principles involved in Fighting Fraud Locally will be presented to the Board in June 13.

	Control	Effectiveness
4.18	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	The County Council has a Member Support Officer who is part of the Democratic Services team. It is their job to look after the practical needs of the Councillors, to arrange training, to keep an up to date register of interests, and also maintain the Gifts and Hospitality register. They arrange travel and conference attendance for Members. There is a Member Support and Development Advisory Group which steers all aspects of Member development. The Council holds the Charter for Elected Member Development. There is a Corporate Learning and Development Board, which is responsible for Officer Development. E-learning training has continued to be developed during 2012-13 and rolled out to Members and officers. Within NORSE the Company Secretary is responsible for providing Directors with advice about their roles and responsibilities.
4.19	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	The County Council publishes several magazines for various interest groups. All are available electronically on NCC's website. *Your Norfolk* magazine is delivered in hard copy to most households in Norfolk. *Norfolk Matters* magazine is specifically for Members, partners and stakeholders. *Norfolk Business Matters* is directed at the business community. *Horizon* is for staff and besides the web version some printed copies are available. *Norfolk Manager* is also published electronically. The County Council's website contains a variety of useful information, including latest news, and allows users to sign up for email updates. Users can ask the Council Leader questions via the website as well as contacting the council or access online services such as the Norfolk Consultation Finder. This is a website dedicated to current consultations and allows members of the public to participate easily in the council's activities. Information with respect to the Council is sent to all Council Tax and all NNDR payers with their annual bills. NORSE provides information via their websites and newsletters.
4.20	Enhancing the accountability for service delivery and effectiveness of other public service providers	The County Council ensures the accountability and effectiveness of other public service providers in three main ways: • Working to ensure public service improvements through key partnerships. A notable examples is our work with health services, Clinical Commissioning Groups and partners through Norfolk's Health and Wellbeing Board to coordinate a collective response to identified health and wellbeing issues. This may include service re-design, commissioning, collaboration and integration of services, lobbying and holding to account. The County Council oversees practical arrangements for the Board. In setting up the Board members have particularly committed to delivering more effective integrated services, and arrangements for holding

	Control	Effectiveness
		services to account for progress in integrating arrangements. A similar example is the Council's involvement with the Norfolk Community Safety Partnership with key public safety services and agencies. • Through strategic agreements with key partners for the delivery of services on the Council's behalf. Examples include the Section 75 agreement with Norfolk & Suffolk Mental Health Foundation Trust for the provision of social care mental health services, and the strategic partnership with Mott MacDonald and May Gurney for the provision of works on behalf of our Environment, Transport and Development department. In all of these agreements the Council sets out clear quality and performance expectations, linked in many places to customer feedback, and this information forms part of the Council's regular performance reporting. • Quality assurance of independent sector providers. Wherever significant elements of the County Council's statutory duties are commissioned from independent sector providers we systematically quality test and assure these services. This includes assessment of providers of public health services and adults and children's social care. Where performance or quality issues are identified we require that improvements are made and reported on. There are quality assurance functions in each main department, and the performance of provider delivered services is reported to members through monitoring reports.
4.21	Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements.	The County Council actively provides services in partnership with other organisations. The Audit Commission produced a report suggesting some points to ensure good control within partnerships. The County Council follows these guidelines with its partners and has developed a corporate approach to partnership governance based on the Audit Commission recommendations. Corporately, resources for partnership management include a health-check tool, which was developed by the Cabinet Scrutiny Committee, which covers the issues identified in the Audit Commission report.
4.22.	The specific arrangements with respect to NORSE are set out opposite	• The Board is responsible for management of internal control throughout NORSE. A Senior Member of the County Council represents the Council on each Board of the Group and its subsidiaries. The Board has been chaired by then Council

Control	Effectiveness
	Chief Executive. • The Company Secretaries advise the Boards of their responsibilities and ensure that the relevant statutory returns are completed. Annual General Meetings have been held during the year for NORSE and all the companies. • The Board is responsible for considering the required internal audit coverage for the Group. In 2010 a full time Internal Auditor, reporting to the Board was appointed. NAS audit the "client side" of the Companies as part of the Council's audit plan. • Grant Thornton provided the external audit services to NORSE for the year ended 31 January 2013. • An interim report for 2012-13 was presented to Cabinet in December 2012, covering actual results for the first half-year and updated forecasts for the rest of the year. A Final report will be presented to the July Cabinet. • Performance measuring systems both financial and non-financial are in place for all the Company Boards. • A full business risk register is reviewed regularly by the Board. • Annual budgets are approved by the Board and progress against these budgets is reported monthly to senior managers of the organisation and quarterly to the Board, the Shareholder Committee and the Council's Head of Finance. • Quality assurance and management systems are in place designed to meet BS EN ISO 9001:2000 which is subject to independent review by external assessors twice every year. • NORSE has a Policy statement on Health & Safety which has been communicated to employees. The Board receives a quarterly report on Health and Safety which includes details of Reportable Accidents and trends in Health and Safety statistics. • Environmental management is championed at Board level and ISO 14001 accreditation is in place or actively being sought. • Annual appraisals are undertaken for all managerial, technical and administrative staff. • Equal opportunities are monitored at Director level and there are systems in place to monitor customer care.

5 Review of the effectiveness

The County Council has responsibility for conducting at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorate. Systems and controls of the County Council as outlined in paragraph 4 above also inform the annual review of effectiveness. Responsibility for this annual review has been delegated to the Audit Committee.

Paragraph 5.7 sets out the review mechanism for NORSE

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

5.1 The Council & the Executive

	Process	Comment
1	Statutory roles of Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.	• The Council, Cabinet, Scrutiny and Overview Panels and Committees have received the full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. • An Annual Internal Audit Report from the Head of Finance/Chief Internal Auditor is made to the Audit Committee. • An Annual report of the Monitoring Officer is made to the Audit Committee. • Approval of the annual Statement of Accounts is by the Audit Committee. • There is an annual review of the Constitution and other key policies and strategies (The Policy Framework).
2	Risk Management policies and procedures are in place to ensure that the risks facing the Council in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.	• The Council approved the Risk Management Framework and Policy in 2010. The Risk Management Framework and Policy were reviewed and updated in 2012/13 and the updates were approved by Full Council. The Audit Committee was established in 2005 and took on the responsibility for governance arrangements for Risk Management. • The embedding of strategic risk management into business activity continues throughout the County Council. • Corporate and departmental risk registers are in place and being used as a management tool. Reporting of risk management activity to Members is embedded; for instance risk registers are regularly reported to the Audit Committee and the five Overview and Scrutiny Panels. • A risk management e-learning package for both Members and officers has been developed and is available to all Members and staff. This complements the existing training available through HRSS Learning & Development and Organisational Development Centre of Expertise. • Insurance policies and funds are in place and are regularly reviewed at least annually to ensure the

		Council is adequately safeguarded.
3	Provision of effective, efficient and responsive systems of financial management.	• Regular financial management reports are made to Cabinet and the five Overview and Scrutiny Panels.
4	Delivery of services by trained, skilled and experienced personnel.	• The County Council has demonstrated its commitment through its Investors in People (IiP) accreditation. The County Council is undertaking IiP through an ongoing internal review process which is verified by an external assessor.
5	Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate.	• The County Council Plan 2012-2015 was approved in May 2012. This sets out a framework of Ambitions and Core Roles, together with a framework for monitoring performance against the key objectives in order to provide clear accountability to the people of Norfolk for the Council's performance. • We produce regular integrated monitoring reports on performance indicators against the improvement areas identified for each of our Corporate Objectives. We use our performance management system to produce regular reports to the Chief Officers Group, Cabinet and the Overview and Scrutiny Panels. This ensures that performance is routinely monitored, with issues of concern being highlighted.

5.2 Cabinet Scrutiny Committee, Audit Committee, Overview and Scrutiny Panels and Pensions Committee

The scrutiny function is carried out and developed through the Cabinet Scrutiny Committee, the Audit Committee, the five Overview and Scrutiny Panels and the Pensions Committee.	The Cabinet Scrutiny Committee, the Audit Committee, the five Overview and Scrutiny Panels and the Pensions Committee have continued to carry out reviews across a wide range of topics and the Cabinet has received reports and recommendations including reports from external audit.

5.3 The Standards Committee

The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.	The Committee met regularly during 2012-13. Its business included: • A review of the standards complaints received during 2012 • The new standards regime introduced by the Localism Act 2011 • Monitoring Officer's Annual Report to the Audit

Committee 2012/2013

5.4 Chief Financial Officer

The Head of Finance is the Chief Financial Officer (CFO) for the Council	The financial management arrangements conform to the CIPFA 2010 statement on the role of the CFO.

5.5 Internal Audit

Internal Audit provide independent and objective assurances across the whole range of the Council's financial and non-financial activities	Terms of reference for the Audit Committee are reviewed annually and changes approved by the Cabinet and the Full Council. • The Audit Committee receive an Annual Report on the delivery of the Internal Audit Plan and the assurance opinion at it's June meeting. • The External Auditor is able to place reliance on the work of Norfolk Audit Services and has assessed that Internal Audit provides an effective service overall. • Norfolk Audit Services is continuing to develop its work programme such that resources are allocated based on a systematic assessment of all areas of risk facing the Council in carrying out its functions.

5.6 Other explicit review/assurance mechanisms

1 External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.	• The overall key message in the Audit Commission's Draft Annual Audit Letter in September 2012 included that an unqualified opinion was issued on the Council's accounts for 2011-12. • The County Council was given an unqualified Value for Money opinion, within the Annual Audit Letter. • The County Council complies with the Accounts and Audit (England) Regulations 2011.
2 Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply.	• The County Council complies with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12. • The County Council has adopted the CIPFA Treasury Management in Public Services Code fully revised second edition 2009. • Norfolk Audit Services has implemented the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Public Sector Internal Auditing Standards were published in February 2013, which come into effect on 1 April 2013. Norfolk Audit Services has

	carried out a self-assessment and concluded it is already compliant with the provisions of the new standards.
3 Reviews by external agencies and inspectorates, which would encompass most major services, and other specific external evaluations, for example, the Local Government Ombudsman and Health & Safety inspectorates.	An unannounced Ofsted inspection looking at the arrangements for the protection of Children was undertaken in January 2013. This concluded that the overall arrangements to protect children in Norfolk was judged to be inadequate. An Improvement Board has been established and an independent Chair has been appointed. An action plan to address the necessary improvements required has been approved by the Implementation Board. We currently await the formal improvement notice from the Department of Education and will amend the action plan, as necessary, once this is received. Progress against the agreed action plan will be managed by the Improvement Board and the independent Chair will report progress to Minister for Children and Families.

5.7 Review Mechanisms for NORSE

NORSE activities review mechanisms include	Quarterly Board meetings receive reports on all aspects of the Business. The Board includes a senior Member and a senior officer of the Council. Board meetings are also attended by the shareholder representative. The Shareholder Committee receives quarterly reports on the activities of the Companies. All Board Papers are sent to the Council's Head of Finance, who has a standing invitation to Board meetings. Norse Board approved internal control arrangements in July 2011, as part of a review at the time of the introduction of the Bribery Act.. The services provided by Norse Care are subject to external audit by the Care Quality Commission.

6 We have been advised on the results of the review of the effectiveness of the governance framework by the Audit Committee and that continuous improvement of the systems is in place.

7 Significant governance issues

There were no significant governance issues reported during the year for the Council, NORSE and the other companies, except for the two described below.

7.1 Corporate Data Quality -

Current plans and strategies are sufficiently robust to ensure that key risks are being addressed by the new Information Management service, which became operational on 1 May 2013. New controls, for stronger corporate coordination and consistency in the approach to data quality across the various parts of the organisation, were not however in place during 2012-13. Responsibility to monitor the implementation of the agreed action plan rests with the Head of ICT and Information Management. This issue was included in the 2011-12 Annual Governance Statement.

7.2 Information Security

The new Information Management Service recognises and is taking robust action on the risks that have been identified and has recently agreed an information security communication plan which is being rolled out over the coming six months. The actions, within that plan, will remind all staff and Managers of their duties in relation to Information Management and Data Protection, including the need for further:

- Strengthening of departmental and corporate monitoring of compliance with the Information Security Policy
- Strengthening of corporate policies on how to identify breaches of non compliance and also working at home policies in relation to information security
- Clarification and promotion of the roles and responsibilities of Departmental Information Security Officers
- Strengthening of controls to ensure Departmental or Corporate lists of encrypted and unencrypted equipment are up to date.

The risk of non compliance with Data Protection regulations has remained in the corporate risk register throughout the year. All members of staff have been required to refresh the tri-annual mandatory e-learning course “Data Protection Essentials”. Training continues to be mandatory for all new starters as follows: for all members of staff who regularly use computers to take the e-learning courses: ‘Data Protection Essentials’ and ‘Information Security Management’; for staff, which do not use computers or use them only occasionally, a ‘Data Protection and Information Security workbook’. These are refreshed every three years. Managers are regularly reminded of the importance of data protection.

Further unannounced audit visits of relevant services have been undertaken corporately between February 2013 and June 2013 by Norfolk Audit Services to assess the impact of the continued efforts by management to raise awareness. Results showed that the ongoing improvement plans need to be completed, to ensure the required practices are fully embedded in staff’s daily work routine.

We propose over the coming year to continue to take steps to address these issues, to further enhance our governance arrangements. We are satisfied that these steps are appropriate and will monitor their implementation and operation as part of our annual review.

Signed: Leader (George Nobbs)

Date:

Acting Managing Director (Anne Gibson)

Date:

Notes

Note 1: The following senior officers have been consulted with respect to drafting of this statement

- Head of Human Resources & Organisational Development (acting as Managing Director),
- Head of Planning, Performance and Partnerships
- Practice Director, nplaw (Monitoring Officer),
- Head of Finance,
- Head of Democratic Services,
- Head of Customer Service and Communications,
- Finance Exchequer Service's Manager; and
- Company Secretary NORSE.

Norfolk County Council

Statement of Accounts

2012-13

www.norfolk.gov.uk

Contents

Foreword to the Accounts

Introduction

This document presents the statutory financial statements for Norfolk County Council for the period from 1 April 2012 to 31 March 2013.

The accounts are set out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13: based on International Financial Reporting Standards (IFRSs), which defines the content and layout of the accounts.

Information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, the use of accounting terms is required in certain cases. A glossary of the meaning of these terms is provided at the end of this document to help the reader's understanding.

The Code of Practice is prepared on the basis that the published Statement of Accounts gives interested parties, including electors, council members and employees, clear information about the Council's finances, and allows the accounts to be comparable with other local authority accounts.

The Council's statement of accounts is one of the many statutory documents produced throughout the year that inform stakeholders of the activities of the Council. Publication of the accounts is an essential feature of public accountability, since the accounts provide the stewardship report on the use of funds raised from the public and business ratepayers.

Annual Governance Statement

The Council is required to conduct a review of the effectiveness of its system of internal control at least once a year and report the findings to the Council. The Annual Governance Statement contains a review of the Council's governance framework and the effectiveness of the Council's internal control and risk management systems, and reports on any significant governance issues during the year.

For 2012-13 there were two significant governance issues reported relating to Corporate Data Quality and Information Security. Further details of these issues are included at item 7 within the Statement.

A copy of the Annual Governance Statement is available on the Council's web page.

The Main Accounting Statements

The accounting statements in this section show the results of the County Council. The accounting statements for 2012-13 comprise:

1. The core statements

   - Movement in Reserves Statement

     This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and other reserves. The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

   - Comprehensive Income & Expenditure Statement

     This statement analyses the Council's day to day operations. It summarises the resources that have been generated and consumed in providing services and managing the Council. It shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

   - Balance Sheet

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

- Cash Flow Statement

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

2. Notes to the Accounts

   Supporting information on the figures included in each of the Core Statements is shown in the accompanying notes, together with details of the Council's accounting policies.

3. Supplementary Statements

   The accounts contain two supplementary statements:

   - Fire fighters Pension Fund Accounts
   - Pension Fund Accounts – this section summarises the revenue and investment transactions of the Norfolk Pension Fund for 2012-13 and its financial position at 31 March 2013.

   Supporting notes follow each of the supplementary statements above.

Group Accounts

The Code of Practice requires that Councils consider the need to include group accounts in its published Statement. The Council has reviewed its interests in companies and other organisations to determine which are to be included in the Group Accounts for 2012-13. Details of these are shown in the Group Accounts section following the Council's Core Statements and Notes to the Accounts.

Norfolk Pension Fund

Norfolk County Council is the administering body for the Norfolk Pension Fund. The main financial statements of the pension fund are included in the Statement of Accounts for the County Council. Consequently the Statements of Assurance cover both the County Council and the Pension Fund. Details of the Norfolk Pension Fund accounting statements are shown on pages 110 to 151. Copies of the full annual report for the pension fund are available from the Head of Finance, P.D. Brittain, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Pensions Deficit

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees, as required by IAS 19. As a result, the estimated pension liability, measured on an actuarial basis, is included in the Council's Balance Sheet, effectively reducing the Net Assets of the Council by £823.518m.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31 March 2013, with the value of assets and liabilities changing on a daily basis. There is a neutral impact on the Council's Comprehensive Income and Expenditure Statement reported for the year as the effect of IAS 19 is reversed through the use of a pensions reserve. Further information on this is included in the Accounting Policies and the notes to the Core Financial Statements.

Post Balance Sheet Events

The Code of Practice requires the Council to consider events occurring after the Balance Sheet date and up to the date the accounts are authorised for issue.

Changes to last year

There are no major changes to the format of the Statement of Accounts, except for the Group Accounts which are now shown in a separate section following the Council's single entity accounts. The comparative figures in these Accounts have been restated for a reclassification of specific government grants from ring fenced to unringfenced, but this does not change the overall balances within the core statements.

Provisions

At the beginning of the financial year, the Council's provisions stood at £20.531m. During the year, the Council created a landfill provision for the monitoring and maintenance of closed landfill sites of £9.244m. This movement mainly explains the net increase of £8.513m to £29.044m at 31 March 2013.

Reserves

The Council's usable reserves at the beginning of the financial year amounted to £205.882m. During 2012-13 some of the usable reserves have been used to support budgeted expenditure and capital projects. The Council's usable reserves have increased to £236.791m at 31 March 2013. This is mainly due to an increase in the Capital Grants Unapplied reserve as the government provides more grant funding for capital projects and an increase in the earmarked reserves due to Council decisions to set aside monies which will be spent in 2013-14 and future years.

Icelandic Bank Investments

In October 2008, the County Council, alongside a number of other local authorities had deposits in various Icelandic banks with a range of payment due dates. In the week beginning 6 October 2008, a number of Icelandic banks went into administration.

On 28 October 2011, the Icelandic Supreme Court upheld the decision of the Icelandic District Court and confirmed priority status for local authorities in the winding up of Landsbanki and Glitnir. Subsequently, the Winding Up Boards have both confirmed priority creditor status. At 31 March 2013, £21.734m has been recovered from the Icelandic Bank Investments and further details on the amounts owed are shown in Note 7 to the Core Financial Statements on page 35.

Impact of the Current Economic Climate

The Council is facing a highly challenging financial period due to the economic climate. This has had a significant impact on the level of funding the Council received in 2012-13 and will also impact on future years. The Council has tried to minimise the impact on council tax payers and users of its services by achieving efficiency savings within the Council, however the reduction in funding has led to some unavoidable reductions in services.

The coalition government's deficit reduction plan has resulted in a reduction in local government funding. The Chancellor of the Exchequer set out public sector spending plans for the years 2011-15 within the Comprehensive Spending Review 2010, however these have been revised downwards in subsequent budgets including the 2012 Autumn Statement and the Budget 2013 set out in March 2013.

The Local Government Finance Settlement in December 2011 confirmed a reduction in Formula Grant of £17.137m or 6.5% in funding for 2012-13. A new local government funding system was introduced in December 2012 for 2013-14, which is based on local retention of business rates, this will mean that council's funding will be affected by the economic growth or decline in collection of business rates within the local area. Nationally, public sector funding will still be managed within departmental expenditure limits for local government and therefore as funding from business rates increases then the amount of funding received from the government via revenue support grant will decrease. The local government finance settlement announced in December 2012 reduced council funding by £13.7m, with forecast deeper reductions in government revenue funding in both 2014-15 and 2015-16.

In 2011-12, following the Council's largest ever public consultation, the Council set about reshaping its core role and services. The Council is now at the end of the second year of its three year programme of work to reshape the Council and help steer the organisation through the financial downturn, reduction in funding and continued increase in demand for services. During 2011-14 the Council will have delivered £139m of savings, of which over half will have been delivered through efficiencies. In February 2013, the Council agreed £51.5m savings, of which £34.2m represent ongoing savings, in order to balance the Council's 2013-14 budget.

Looking ahead the national financial challenges are expected to continue over the next medium term period and in November 2012, the Council launched a new programme of work to undertake a comprehensive review of the role and services of Council and to set an agenda for the type of Council needed to operate effectively within an increasingly challenging environment.

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2012-13 was £595.809m.

Spending against the cash limited budget has been monitored regularly throughout the year, and reports from Chief Officers have been received at each of the Council's Cabinet meetings.

The final outturn position for the year against the revised budget is set out in the table below together with the sources of income from which the Council's net revenue expenditure was financed. These figures are based on the service and portfolio responsibilities rather than the total cost of providing services, (including apportionment of support services and adjustments to show the true cost of providing pensions to employees), which is used in the Comprehensive Income and Expenditure Statement on page 16.

The net outturn position consists of departmental underspends of £3.908m, which were transferred into the General Fund balance at the end of the financial year. During 2012-13 the Council's Cabinet agreed to utilise £1.221m from the General Fund balance, and also transfer into the General Fund from the projected underspend, £0.650m in respect of 2013-14 County Council elections. The County Council, as part of approving the 2012-13 budget in February 2012, also agreed to carry forward underspending of £1.159m from 2012-13 to be utilised in 2013-14. This funding was transferred into the General Fund balance during 2012-13. The overall effect of these movements is a net increase of £4.495m in the General Fund balance during 2012-13.

Service/Portfolio	Budget	Outturn	Variance overspent/ (underspent)
	£000s	£000s	£000s
Children's Services	153,096	153,096	0
Community Services	233,103	233,103	0
Environment, Transport and Development	123,573	123,458	(115)
Fire	29,439	29,189	(250)
Central Departments	56,598	53,055	(3,543)
Service Expenditure	**595,809**	**591,901**	**(3,908)**
Revenue Support Grant	4,723	4,723	0
Business Rates	243,626	243,626	0
Council Tax	347,460	347,460	0
Total Income	**595,809**	**585,809**	**0**
Net Outturn Position	**-**	**(3,908)**	**(3,908)**

Capital Budget and Spending

Council approved a capital budget totalling £134.950m in February 2012. Slippage carried forward from 2011-12 was added to the programme and adjustments during the year reduced the total Capital Programme to £133.893m. Capital spending (including accrued expenditure) for 2012-13 amounted to £122.493m. The main sources of finance were grants and contributions, and revenue and reserves. Borrowing requirements were met from internal sources during 2012-13 and amounted to £1.680m.

The Council achieved capital receipts totalling £7.731m from the sale of property and loan repayments, and capital receipts of £0.958m when assets that were partially complete at 31 March 2012 or completed in 2012-13 were transferred to a leasing company or sold.

Service/Portfolio	Budget	Outturn	Variance overspent/ (underspent)
	£000s	**£000s**	**£000s**
Children's Services	59,631	53,078	(6,553)
Community Services	5,086	4,403	(683)
Environment, Transport and Development	58,835	58,574	(261)
Fire	2,026	1,075	(951)
Central Departments	8,315	5,363	(2,952)
Service Expenditure	**133,893**	**122,493**	**(11,400)**
Borrowing and capital receipts	21,246	10,759	(10,487)
Revenue/Reserves	19,785	23,979	4,194
Government Grants/contributions	92,862	87,755	(5,107)
Total Funding	**133,893**	**122,493**	**(11,400)**

Borrowing

The County Council borrows in the long-term to finance capital expenditure and in the short-term, to smooth cash flow requirements of the Council on a daily basis.

The principal source of borrowings in excess of one year (i.e. classified as long-term borrowing) is the Public Works Loans Board. At the 31 March 2013, the Council's long-term borrowing totalled £506m. During 2012-13, new borrowing of £0.771m was taken out and £8.525m has been reclassified as short-term borrowing as this will be repaid during 2013-14. There is no short-term cash flow borrowing at the year end.

Council Services in Norfolk

Local Government services in Norfolk are currently provided by the County Council, seven district/borough councils and numerous town and parish councils. Norfolk County Council is one of 27 Shire County Councils in England.

County Council Services include		
Adult Social Services	Environmental Policy	Registrars
Building Conservation	Fire Service	Road and Footway Lighting
Children's Services	Highways (incl. Footpaths)	Strategic Planning
Coroners	Libraries	Tourism
Countryside	Museums	Trading Standards
County Farms	Planning	Waste Management
Economic Development	Public Transport Support	Youth Service
Emergency Planning	Records Office	

District/Borough Councils are responsible for		
Building Regulations & Local Planning	Environmental Health	Leisure and Tourism
Bylaws	Footpaths/Bridleways	Public Conveniences
Car Parks	Footway Lighting	Recycling
Concessionary Fares	Housing Benefits	Refuse Collection/Street Cleaning
Economic Regeneration	Housing/Homelessness	

Town and Parish Councils are responsible in certain areas for		
Allotments	Community Centres	War memorials
Bus Shelters	Footway Lighting	
Burial Grounds and Cemeteries	Recreational Facilities	

Staff Employed by the Council

The table below shows details of the number of people directly employed by the County Council shown as full time equivalent (FTE) numbers.

The figures include permanent, temporary, sessional and supply staff paid as at March 2013. The FTE calculations include secondary and tertiary jobs in line with calculations used in our locally published staffing data.

Service	As at March 2012	As at March 2013	Net Change
Children's Services			
- Non Schools	1,717	1,589	(128)
- Schools	10,543	9,878	(665)
- Supply and Casuals (Schools and Non Schools)	333	280	(53)
Children's Services Totals	12,593	11,747	(846)
Adult Social Services	1,508	1,459	(49)
Environment, Transport and Development	718	706	(12)
Fire	433	403	(30)
Cultural Services	572	571	(1)
Central Departments	1,052	1,096	44
Other Services (Registrars)	33	34	1
TOTAL	16,909	16,016	(893)

The figures have been collated to reflect the changes that have taken place in 2012-13. The variations in staffing levels largely reflect the programme of budget reductions and service transformation now underway within the Council. This has included a combination of service redesign, service closure and transfer of staff and services to alternative providers.

The change in numbers within Children's Services reflects a combination of service redesign, internal transfer of finance staff to Resources (Central Departments) and external Tupe transfers, for example, of staff working in Children's Centres. Within Adult Social Care, the major changes resulting from service redesign come into effect in early 2013-14 albeit some reduction in numbers has taken place prior to year end. The reduction in Fire reflects further removal of operational posts by turnover resulting from Safety Plan proposals and revised crewing.

Schools determine their own staffing levels within delegated funding. As in previous years these figures reflect the number of school based staff paid on NCC payrolls. The reduction over the previous year reflects a number of schools opting for Academy status and staffing adjustments in schools.

Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This has been advertised in the local press. The authority complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

Further information about the financial statements and accounts is available from the Head of Finance, P.D. Brittain, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Head of Finance's Responsibilities

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

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Certificate by the Head of Finance

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

P.D. Brittain,

Head of Finance

Date: 26 September 2013

I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 26 September and have been re-signed as authorisation to issue.

I.J. Mackie

Chairman of Norfolk County Council Audit Committee

Date: 26 September 2013

Independent Auditors' Report to the Members of Norfolk County Council

Opinion on the Authority, and fire fighters' pension fund financial statements

We have audited the financial statements and the fire fighters' pension fund financial statements of Norfolk County Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The Authority financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, and the related notes 1 to 53 for the Authority and 1 to 14 for the Group and includes the fire fighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Norfolk County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities set out on page 12, the Head of Finance is responsible for the preparation of the Statement of Accounts, which include the Authority financial statements and the fire fighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and the fire fighters pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Norfolk County Council Statement of Accounts 2012-13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Norfolk County Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Norfolk County Council Statement of Accounts 2012-13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Norfolk County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the accounts of Norfolk County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Rob Murray
for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge

Movement in Reserves Statement

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account Restated	Total Usable Reserves Restated	Unusable Reserves	Total Reserves of the Council Restated
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2011	**16,126**	**115,454**	**2,074**	**22,949**	**156,603**	**419,180**	**575,783**
Movement in Reserves during 2011-12							
Surplus / (Deficit) on provision of services	21,314	0	0	0	21,314	0	21,314
Other Comprehensive Expenditure and Income	0	0	0	0	0	(119,734)	(119,734)
Total Comprehensive Expenditure and Income	**21,314**	**0**	**0**	**0**	**21,314**	**(119,734)**	**(98,420)**
Adjustments between accounting basis & funding basis under regulations (note 8)	479	0	(101)	27,587	27,965	(27,965)	0
Net Increase / (Decrease) before transfers to reserves	**21,793**	**0**	**(101)**	**27,587**	**49,279**	**(147,699)**	**(98,420)**
Transfers to/from Earmarked Reserves (note 9)	(19,720)	19,720	0	0	0	0	0
Increase / (Decrease) in Year	**2,073**	**19,720**	**(101)**	**27,587**	**49,279**	**(147,699)**	**(98,420)**
Balance at 31 March 2012	**18,199**	**135,174**	**1,973**	**50,536**	**205,882**	**271,481**	**477,363**
Movement in Reserves during 2012-13							
Surplus / (Deficit) on provision of services	(3,213)	0	0	0	(3,213)	0	**(3,213)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	(102,308)	**(102,308)**
Total Comprehensive Expenditure and Income	**(3,213)**	**0**	**0**	**0**	**(3,213)**	**(102,308)**	**(105,521)**
Adjustments between accounting basis & funding basis under regulations (note 8)	13,656	0	(386)	20,852	34,122	(34,122)	**0**
Net Increase / (Decrease) before transfers to reserves	**10,443**	**0**	**(386)**	**20,852**	**30,909**	**(136,430)**	**(105,521)**
Transfers to/from Earmarked Reserves (note 9)	(5,948)	5,948	0	0	0	0	**0**
Increase / (Decrease) in Year	**4,495**	**5,948**	**(386)**	**20,852**	**30,909**	**(136,430)**	**(105,521)**
Balance at 31 March 2013	**22,694**	**141,122**	**1,587**	**71,388**	**236,791**	**135,051**	**371,842**

Comprehensive Income and Expenditure Statement

	2011-12 Gross Expenditure Restated £000s	2011-12 Income Restated £000s	2011-12 Net Expenditure Restated £000s	2012-13 Gross Expenditure £000s	2012-13 Income £000s	2012-13 Net Expenditure £000s
Adult Social Care	351,077	68,999	282,078	373,344	90,656	282,688
Central Services to the Public	8,447	1,918	6,529	3,646	1,666	1,980
Cultural and Related Services	31,543	7,920	23,623	28,037	5,968	22,069
Education and Children's Services	775,488	563,658	211,830	687,404	488,533	198,871
Environmental and Regulatory Services	44,547	4,245	40,302	57,247	5,490	51,757
Planning Services	16,645	3,709	12,936	10,820	2,022	8,798
Fire and Rescue Services	36,423	1,740	34,683	32,982	2,611	30,371
Highways and Transport Services	95,297	28,442	66,855	98,656	16,196	82,460
Corporate and Democratic Core	3,348	0	3,348	3,046	0	3,046
Non Distributed Costs	5,078	1,801	3,277	(3,360)	0	(3,360)
Cost of Services	**1,367,893**	**682,432**	**685,461**	**1,291,822**	**613,142**	**678,680**
Other Operating Expenditure (Note 10)			54,499			71,082
Financing and Investment Income and Expenditure (Note 11)			44,004			53,053
Taxation and Non-Specific Grant Income (Note 12)			(805,278)			(799,602)
(Surplus) / Deficit on Provision of Services			**(21,314)**			**3,213**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(35,395)			(27,998)
Actuarial (Gains) / Losses on Pension Assets / Liabilities			155,129			130,306
Other Comprehensive Income and Expenditure			**119,734**			**102,308**
Total Comprehensive Income and Expenditure			**98,420**			**105,521**

During 2011-12 a number of specific grants were re-classified by Central Government from ringfenced for specific services to un-ringfenced grants, but were included in service income lines within the Net Cost of Services in the 2011-12 accounts. The Code requires these grants to be shown in the Taxation and Non Specific Grant Income line so the figures for 2011-12 in the Statement above have been re-stated to comply with this requirement.

Balance Sheet

	Note	31 March 2012 Restated £000s	31 March 2013 £000s
Property, Plant & Equipment	13	1,599,646	1,593,234
Heritage Assets	14	5,723	5,883
Investment Property	15	26,253	29,779
Intangible Assets	16	4,641	1,483
Long Term Investments	17	19,751	19,522
Long Term Debtors	19	11,021	7,505
Long Term Assets		**1,667,035**	**1,657,406**
Short Term Investments	17	95,078	154,004
Inventories	18	2,388	1,635
Short Term Debtors	19	65,080	74,254
Cash and Cash Equivalents	20	117,826	70,146
Assets Held for Sale	21	1,826	1,915
Current Assets		**282,198**	**301,954**
Short Term Borrowing	17	(20,880)	(15,372)
Other Short Term Liabilities	17	(4,873)	(3,508)
Short Term Creditors	22	(136,103)	(124,283)
Provisions	23	(6,884)	(8,104)
Current Liabilities		**(168,740)**	**(151,267)**
Long Term Creditors	22	(1,684)	0
Provisions	23	(13,647)	(20,940)
Long Term Borrowing	17	(515,674)	(507,684)
Other Long Term Liabilities	17	(742,693)	(888,180)
Capital Grants Receipts in Advance	39	(29,432)	(19,447)
Long Term Liabilities		**(1,303,130)**	**(1,436,251)**
Net Assets		**477,363**	**371,842**
Usable Reserves	24	205,882	236,791
Unusable Reserves	25	271,481	135,051
Total Reserves		**477,363**	**371,842**

Cash Flow Statement

	31 March 2012 £000s	31 March 2013 £000s
Net (surplus) or deficit on the provision of services	**(21,314)**	**3,213**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(153,285)	(152,566)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	102,497	113,796
Net cash flows from Operating Activities (Note 26)	(72,102)	(35,557)
Investing Activities (note 27)	(9,716)	66,906
Financing Activities (note 28)	12,287	16,331
Net (increase) or decrease in cash and cash equivalents	**(69,531)**	**47,680**
Cash and cash equivalents at the start of the year	**48,295**	**117,826**
Cash and cash equivalents at the end of the year (note 20)	**117,826**	**70,146**

Notes to the Financial Statements:

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012-13 financial year and its position at the year end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 (the Code) and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the Local Government Act 2003.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

1.2 Accounting Principles

<u>Relevance</u>

The objective of financial statements is to provide information about an Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

<u>Reliability</u>

Financial information is reliable if it can be depended on to represent faithfully what it either purports to represent or what it can be reasonably expected to represent and is free from deliberate, systematic or material error.

<u>Comparability</u>

The information in the accounts is more useful if it can be compared with information for some other period or point in time. This depends upon consistency in the application of the accounting policies, unless it can be shown that a new policy would introduce improved accounting practices.

<u>Understandability</u>

The accounting principles on which the Code is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government, and reasonable diligence in reading the financial statements if they are to be properly understood. However all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

<u>Materiality</u>

Strict compliance with the Code, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader.

<u>Accruals</u>

This requires the non-cash effects of transactions (debtors and creditors) to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

<u>Going Concern</u>

A local authority's Statement of Accounts should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

1.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.5 Charges to Revenue for Non Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 Contingent Liabilities

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

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

1.7 Council Tax Income

The amount shown in the Comprehensive Income and Expenditure Statement is the accrued income for the year in accordance with UK GAAP, this is different from the amount credited to the General Fund under statute. The amount credited to the General Fund is the Council's precept or demand for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund in the previous year.

1.8 Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Post Employment Benefits

Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Norfolk County Council; and
- The Fire Fighters' Pension Scheme

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

(ii) Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds, as measured by the yield on the Iboxx Sterling Corporates AA over 15 years Index at the IAS19 valuation date, with the removal of recently re-rated bonds from the index.

(iii) The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value.

(iv) The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – included in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund.

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

<u>Fire Fighters Pension Scheme</u>

This scheme is also accounted for as a defined benefit scheme. The scheme is operated on a 'pay as you go' basis and as such has no assets. Transfer values included in the Scheme have been accounted for on a cash basis. Other than this the treatment of the scheme in the accounts is as described for the Local Government Pension Scheme above.

<u>Discretionary Benefits</u>

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

The Council makes payments to fire fighters in relation to injury awards and the expected injury awards for active members are valued and accounted for.

1.9 Events after the Balance Sheet Date

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

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

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

1.10 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.11 Financial Instruments

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

Where the Council is party to a loan which is given at less than market rate, this is classified as a soft loan. In this instance, the Code of Practice requires the Council to calculate the reduction in cash flows over the length of the loan due to the reduced interest rate. The carrying value of the loan must be adjusted if this results in a material difference from its fair value. The Council's soft loans are primarily social care debts secured against property which do not attract interest. These loans are reviewed on an annual basis to determine whether the carrying value is materially different from the fair value. At present, there is not deemed to be a material difference and the carrying amount has therefore not been adjusted.

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

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

Available for Sale Assets

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

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

- Instruments with quoted market prices – the market price
- Other instruments with fixed or determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – valued at cost

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments entered into before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the policy on Provisions.

Instruments entered into before 8 November 2007

Regulations made by Government under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, allow financial guarantees entered into before 8 November 2007 to be accounted for under the 2007 SORP. The Council has adopted this regulation so that its financial guarantees taken out before 8 November 2007 have been accounted for as contingent liabilities.

Financial Liabilities

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

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

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

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

1.12 Foreign currency translation

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

1.13 Government Grants and Other Contributions

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

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

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

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

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

1.14 Heritage Assets

Tangible and Intangible heritage assets

Heritage Assets are held to increase the knowledge, understanding and appreciation of the local area and its history, and are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment, including the treatment of intangible assets and of revaluation gains and losses. However, some of the measurement rules are relaxed in relation to heritage assets with valuation or historic cost replacing fair value, as detailed below.

The Authority's collections of heritage assets are accounted for as follows:

(i) Windmills and Windpumps

The majority of the Council's significant Heritage Assets, by value, are windmills, watermills and drainage mills of historic interest. These were previously recorded at written down cost in the accounts, and classified as Community Assets. The mills are managed by the Norfolk Windmills Trust, (registered as the Norfolk Mills and Pumps Trust), which operates as a registered charity for the preservation of mills and their associated sites, remains, machinery and ancillary buildings. The Trust is financially and technically supported by the County Council.

(ii) Other Heritage Assets

- Museums Collections

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

  The Council provides the secretary and treasurer to the joint committee, employs its staff, and owns a number of properties used by NMAS. However, the majority of collections and related buildings are owned by the relevant district councils.

  Under the terms of the Joint Committee Agreement, the only collections owned by the Council are at Gressenhall Farm and Workhouse, and a small number of artworks at County Hall, Norwich.

  Material items within the collections are stored in secure and controlled conditions and are therefore deemed to have indeterminate lives and a high residual value and the Council does not consider it appropriate to charge depreciation.

- Document and archive collections

  The Norfolk Record Office (NRO) collects and preserves unique archives relating to the history of Norfolk including the Norfolk Sound Archive. The NRO is a joint service of the County and District Councils of Norfolk and is based in a purpose built Archive Centre in Norwich. Other documents of historic interest are preserved in the authority's libraries. Apart from a small number of items that have been acquired since 1 April 2010, and therefore have a recorded value, the Council does not recognise this collection of heritage assets on the Balance Sheet.

  There is no separate valuation of records owned by the Council. Although the records are of great local, cultural and intellectual value, they are by their nature irreplaceable and therefore no meaningful financial value can be placed upon them. As a result the Council believes that the cost of obtaining valuations for these items other than those where recent cost information is readily available would be disproportionate to the benefits to users of the financial statements.

Other heritage assets are valued at cost or valuation. Acquisitions are initially recognised at cost or, if bequeathed or donated at nil consideration, at valuation.

- Sundry other Heritage Assets

  In addition to the items noted above, the Council owns a variety of other heritage assets. These assets include structures of historic interest and artefacts of community and historic significance.

  Where possible, other heritage assets are valued at cost or valuation. Acquisitions are initially recognised at cost or, if bequeathed or donated at nil consideration, at valuation where a valuation has been performed. If a heritage asset has not been valued, the Council believes that the cost of obtaining valuations for these items would be disproportionate to the benefits to users of the financial statements.

(iii) Heritage Assets - General

Apart from heritage assets previously accounted for as community assets, heritage assets acquired before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost effective basis. Additions since 1 April 2010 are capitalised and recognised in the Balance Sheet under Heritage Assets. The cost or value of the acquisition is used where such a cost or valuation is reasonably obtainable.

Collection items with values below the capitalisation threshold are expensed when the expenditure is incurred.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Council's general policies on impairment as detailed in note 1.25 in this summary of significant accounting policies.

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

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

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

1.15 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

1.16 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.17 Inventories and long term contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either the lower of cost or net realisable value.

1.18 Investment Property

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

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

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

1.19 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.20 Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value.

Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

1.21 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

1.22 Overheads

Central departments operate within predetermined budgets and generally their costs are not allocated to departments. At the end of the financial year, the costs of the central departments are analysed, in accordance with the principles of the CIPFA Service Reporting Code of Practice (SeRCOP), to determine what costs should be shared between users of the services, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

1.23 Private Finance Initiative (PFI) Schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Council is involved in three PFI schemes - Norwich Schools, Salt Barns and Street Lighting.

For the Norwich Schools PFI scheme, the liability was written down by an initial capital contribution of £8.2m.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Norwich Schools PFI 12.4%, Salt Barns PFI 44.34% and Street Lighting PFI 8.56%).
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.24 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.25 Property, Plant and Equipment

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

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The de minimis level for property, plant and equipment was reviewed during the year and has been amended to £40,000. This de minimis level has been applied to the recognition of assets in 2012-13. The effect of this adjustment on the capitalisation of property, plant and equipment in prior years has been assessed as not being material and therefore no adjustment has been made to the comparative figures.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

<u>Impairment</u>

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

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

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

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

<u>Depreciation</u>

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

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 20 to 40 years.

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

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

<u>Disposals and non current assets held for sale</u>

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.26 Provisions

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

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

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

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

1.27 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

1.28 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the

Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.29 VAT

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

2. Accounting Standards issued, not adopted

The Code requires the council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. The following standards apply:

- IAS 19 - Employee Benefits
  This standard was amended in 2011 and the changes which relate to the creation of some new classes of components of defined benefit costs and the re-measurement of the net defined benefit liability are likely to have a material impact on the accounts. The pension fund actuaries have calculated that if the revised standard had been in place for 2012-13 the expenses recognised for post employment benefits would have increased by £7.493m. However, the amount charged to the General Fund for providing pensions for employees is the amount payable in accordance with statutory requirements governing the Council's pension funds, with differences being accounted for in the Pensions Reserve.
- IAS 1 - Presentation of Financial Statements
  This standard was amended in 2011 and the changes relate to the presentation of gains and losses on revaluations currently shown within Other Comprehensive Income and Expenditure. As these changes are presentational there is no impact on the reported amounts.
- Changes to IFRS 7 - Financial Instruments; IAS12 - Income Taxes and IFRIC12 – Service Concession arrangements are unlikely to have any impact on the accounts.

3. Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the three operational PFI agreements (Norwich Schools, Salt Barns and Street Lighting) and also to control the residual value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the operational assets (valued at £73.1m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The financial statements have been prepared on the basis that the Waste PFI will proceed. Further explanations of the financial uncertainties relating to planning permission can be found in note 43 PFI and similar contracts and note 48 Contingent Liabilities.
- There is uncertainty regarding the accounting treatment of schools' non current assets. The results of a recent consultation by CIPFA on the recognition of non current schools' assets were inconclusive and CIPFA has established a review group to clarify this issue. As a result, and as detailed in note 13 Property, Plant and Equipment, the Council continues to recognise Community and Voluntary Controlled schools on the Balance Sheet for 2012-13, based on the assessment of the control of the economic benefits and service potential of these assets. Voluntary aided schools, Foundation schools and Academies remain outside the Council's accounts.

4. Assumptions made about the future and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for the buildings would increase by £4.1m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £175.473m. However, the assumptions interact in complex ways. During 2012-13, the Council's actuaries advised that the net pensions liability had increased by £130.306m.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price

5. Material Items of Income and Expense

During 2012-13, eleven schools transferred to Academy status. The assets relating to these schools have been removed from the Council's balance sheet and are shown as a loss on disposal of non-current assets in note 10. The value written off amounts to £69.226m and is the main reason for the net loss on disposal of £70.140m.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 28 June 2013. Events that occur after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and note have been adjusted in all material respects to reflect the impact of this information.

Schools transferring to Academy Status

The following 11 schools with a net book value of £50.452m converted to academy status between 1st April 2013 and 30 September 2013:

Taverham High School; Heartsease Primary School; Cliff Park Infant and Junior schools; Arden Grove Infant and Nursery; Downham Market High School; Woodlands Primary Bradwell; Norwich Road School; Costessey Infant School; Fakenham High School and Larkman Primary School.

Two of the schools, Taverham High and Heartsease Primary were constructed under the schools PFI contract described in Note 43. The school sites and buildings have been leased to the academies. All the annual revenue support grant received from central government in respect of this PFI will continue to be received directly by the authority and will be used to support the element of the unitary charge relating to construction. The academies will continue to pay a contribution to the authority in respect of other costs such as facilities management, cleaning and grounds maintenance.

All of the schools were revalued prior to disposal. The revised net book value of £52.554m has been written out of the Council's Property, Plant and Equipment during 2013-14 and will be treated as a disposal at nil consideration in the 2013-14 consolidated Income and Expenditure Statement

7. Impairment of deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £32.5m deposited with Landsbanki, Glitnir and Kaupthing Singer and Friedlander, with varying maturity dates and interest rates.

Investments included in the current assets figure in the Balance Sheet at 31 March 2013 include investments for Kaupthing Singer and Friedlander, and Landsbanki that have been impaired because of the financial difficulties experienced by Icelandic Banks. The investments in Glitnir were reduced to zero at 31 March 2012 following a full and final distribution made to priority creditors on 16 March 2012.

Bank	Date Invested	Amount invested	Maturity Date	Interest Rate	Carrying Amount at 31 March 2013	Net Impairment
		£			£	£
Kaupthing Singer and Friedlander						
	18-03-08	5,000,000	17-10-08	5.98%	442,044	630,950
	22-11-06	2,500,000	22-11-10	5.38%	225,727	284,376
	22-11-06	2,500,000	22-11-10	5.38%	225,727	284,376
Landsbanki						
	30-10-07	5,000,000	17-10-08	6.15%	2,151,008	309,168
	22-01-08	5,000,000	19-01-09	5.26%	2,201,943	275,413
	27-04-07	5,000,000	27-04-09	5.87%	2,168,220	271,196
Total		25,000,000			7,414,669	2,055,479

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The carrying amounts for Kaupthing Singer and Friedlander, and Landsbanki also reflect that at 31 March 2013, £15.412m has been repaid to the County Council for these investments.

All remaining monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing Singer and Friedlander Ltd

The administrators of Kaupthing Singer and Friedlander Ltd repaid £1.352m (13%) during 2012-13. At 31 March 2013, the administrators have made repayments, including prior years, totalling £7.907m (76%). On 6 June 2013, the administrators paid a further £0.312m representing 3% of the claim. The revised impairment at 31 March 2013 is based on the assumption that a further 6.25% will be received by the end of June 2015, taking total dividends expected to be paid to 85.25%.

Therefore in calculating the impairment the Council has made the following assumptions about the timing of recoveries:

Date	Repayment
June 2013	3.00%
June 2014	3.25%
June 2015	3.00%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7 October 2008.

Landsbanki

The Landsbanki Winding Up Board repaid £2.864m during 2012-13. At 31 March 2013, the Landsbanki Winding Up Board have made repayments, including prior years, totalling £7.505m. These distributions have been paid in pounds sterling, Euro, US dollar, and Icelandic kroner. Apart from the Icelandic kroner (ISK) element of the distribution, the foreign currencies were converted into pounds sterling on the day of receipt. The amount received in 2012-13 was lower than the investment carrying value due to movements in foreign exchanges and the foreign currency loss of £0.057m has been charged to the Comprehensive Income and Expenditure Statement.

The ISK is subject to restrictions imposed by the Icelandic Government and that part of the distribution has been paid into a Landsbanki Winding Up Board escrow account, which, at 31 March 2013 was earning interest at a rate of 4.17%. At 31 March 2013, the ISK balance has been converted to pounds sterling amounting to £0.122m (£0.109m at 31 March 2012) and is included in the Balance Sheet as a short term investment.

The revised impairment at 31 March 2013 is based on the assumption that a further 50.35% will be received up to and including 2019, taking total dividends expected to be paid to 100%.

Therefore in calculating the impairment the Council has made the following assumptions about the timing of recoveries:

Date	Repayment	Date	Repayment
September 2013	5.0%	December 2017	7.5%
December 2014	7.5%	December 2018	7.5%
December 2015	7.5%	December 2019	7.85%
December 2016	7.5%		

Glitnir

The Glitnir Winding Up Board made a full and final distribution to priority creditors during 2011-12. This was paid in pounds sterling, Euro, US dollar, Norwegian krona and Icelandic kroner. Apart from the Icelandic kroner (ISK) element of the distribution, the foreign currencies were converted into pounds sterling on the day of receipt and the Council received £6.322m.

The ISK is subject to restrictions imposed by the Icelandic Government and that part of the distribution has been paid into a Glitnir Winding Up Board escrow account, which earned interest at a rate of 3.4% until 21 June 2012 and 4.2% from 22 June 2012. At 31 March 2013, the ISK balance has been converted to pounds sterling amounting to £1.608m (£1.439m at 31 March 2012) and is included in the Balance Sheet as a short term investment.

Deposits with the Icelandic-domiciled banks were converted to Icelandic kroner on 22 April 2009. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by authorities will depend on the prevailing exchange rate, and may therefore be lower than the equivalent value on 22 April 2009.

8. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied Account

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

2012-13	**Usable Reserves**			
	General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Movement in Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:				
Charges for depreciation and impairment of non current assets	80,459			(80,459)
Revaluation losses on property, plant and equipment	(8,919)			8,919
Movements in the fair value of investment properties				
Amortisation of intangible assets	3,097			(3,097)
Capital grants and contributions applied	(67,101)			67,101
Revenue expenditure funded from capital under statute	19,101			(19,101)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	75,060			(75,060)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(30,934)			30,934
Capital expenditure charged against the General Fund	(23,981)			23,981
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,803)	8,819		(16)
Use of the Capital Receipts reserve to finance new capital expenditure		(9,079)		9,079
Contribution from the Capital Receipts reserve towards administrative costs of non current asset disposals	126	(126)		
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,553			(3,553)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(41,506)		41,506	
Application of grants to capital financing transferred to the Capital Adjustment Account			(20,654)	20,654

2012-13	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	22			(22)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	68,032			(68,032)
Employer's pension contributions and direct payments to pensioners payable in the year	(53,243)			53,243
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(53)			53
Adjustments primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1,254)			1,254
Total Adjustments in 2012-13	**13,656**	**(386)**	**20,852**	**(34,122)**

2011-12	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:				
Charges for depreciation and impairment of non current assets	53,223			(53,223)
Revaluation losses on property, plant and equipment	15,153			(15,153)
Movements in the fair value of investment properties	3,406			(3,406)
Amortisation of intangible assets	3,756			(3,756)
Capital grants and contributions applied	(78,336)			78,336
Revenue expenditure funded from capital under statute	19,105			(19,105)

2011-12

	Usable Reserves			
	General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**	**Movement in Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	57,567			(57,567)
Removal of income recognised in Taxation & Non-Specific Income relating to Donated Assets	(1,070)			1,070
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(29,462)			29,462
Capital expenditure charged against the General Fund	(15,934)			15,934
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,280)	4,374		(94)
Use of the Capital Receipts reserve to finance new capital expenditure		(4,379)		4,379
Contribution from the Capital Receipts reserve towards administrative costs of non current asset disposals	96	(96)		
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(35,819)		35,819	
Application of grants to capital financing transferred to the Capital Adjustment Account			(8,232)	8,232
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	18			(18)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	65,921			(65,921)
Employer's pension contributions and direct payments to pensioners payable in the year	(54,369)			54,369
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	2,212			(2,212)

2011-12	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(708)			708
Total Adjustments in 2011-12	**479**	**(101)**	**27,587**	**(27,965)**

9. Transfers to/from earmarked reserves

This note sets out the amounts set aside in earmarked reserves, including schools reserves, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2012-13. Details of each of the earmarked reserves follow the table below.

	Balance at 31 March 2011	Transfers in 2011-12	Transfers out 2011-12	Balance at 31 March 2012	Transfers in 2012-13	Transfers out 2012-13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LMS Balances	33,577	38,909	(39,055)	33,431	40,512	(40,921)	33,022
Adult Education Income Reserve	155	225	0	380	47	(409)	18
Adult Social Care Legal Liabilities	2,500	1,443	(232)	3,711	14	(131)	3,594
Adult Social Services Residential Review	2,005	1,046	(57)	2,994	651	(51)	3,594
Archive Centre Sinking Fund	148	33	0	181	35		216
Building Maintenance	3,336	1,598	(1,286)	3,648	2,538	(3,270)	2,916
Car Leasing Scheme	557	383	0	940	215		1,155
Children's Services Equalisation	113	219	0	332	358		690
Community Construction Fund					3,500	(3,428)	72
County Strategic Partnership	1,329	1,595	(2,381)	543	1,267	(1,324)	486
Economic Development and Tourism	1,416	952	(1,416)	952	3,680	(23)	4,609
ESPO Reserves	1,327	427	(322)	1,432	581	(370)	1,643
Fire Operational Equipment	945	346	(465)	826	192		1,018
Fire Pensions Reserve	381	0	0	381		(33)	348
Fire Retained Turnout Payments	564	0	(22)	542			542
Highways Maintenance	5,966	4,944	(1,627)	9,283	1,142	(5,781)	4,644
Historic Buildings	222	142	(124)	240	31	(42)	229

	Balance at 31 March 2011	Transfers in 2011-12	Transfers out 2011-12	Balance at 31 March 2012	Transfers in 2012-13	Transfers out 2012-13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Icelandic Banks	5,522	2,075	(2,521)	5,076	779	(120)	5,735
Industrial Estate Dilapidations	10	0	0	10			10
Information Technology	6,778	8,758	(6,935)	8,601	4,683	(3,813)	9,471
Insurance Reserve	598	0	(498)	100		(83)	17
Modern Reward Strategy	6,210	0	0	6,210			6,210
Museums Income Reserve	79	0	0	79			79
Norfolk Guidance Service Income Reserve	92	37	(5)	124		(124)	0
Norfolk Infrastructure Fund	1,151	3,659	(65)	4,745	1,914	(4,281)	2,378
Northern Distributor Route Reserve	0	2,500	0	2,500			2,500
Norwich Schools PFI Sinking Fund	1,766	7	(267)	1,506	205		1,711
NPLaw Operational Reserve	0	219	(99)	120	152	(27)	245
Organisational Change and Redundancy Reserve	3,623	2,118	(1,193)	4,548	4,090	(1,361)	7,277
P&T Bus De-registration	20	104	(21)	103		(21)	82
P&T Demand Responsive Transport	678	215	(415)	478	83		561
P&T Park and Ride	23	0	(8)	15	95	(3)	107
Prevention Fund	1,578	3,500	0	5,078	5,078	(6,088)	4,068
Public Transport Commuted Sums	26	0	(2)	24		(8)	16
Repairs and Renewals Fund	4,640	2,411	(1,626)	5,425	1,492	(1,134)	5,783
Re-procurement Strategic Partnership	200	133	0	333	150	(247)	236
Residual Insurance and Lottery Bid Development	430	25	(82)	373	152	(157)	368
Road Safety Reserve	584	40	(129)	495		(298)	197
School Sickness Insurance	1,460	99	0	1,559		(131)	1,428
Schools Contingency	4,081	3,477	(1,640)	5,918	4,212	(100)	10,030
Schools Non-Teaching Activities	321	177	(351)	147	1,010	(147)	1,010
Schools Playing Field Sinking Fund	284	237	(79)	442	85	(118)	409
Strategic Ambitions Reserve	1,015	109	(257)	867	1,255	(843)	1,279
Street Lighting PFI	7,958	3,133	(2,540)	8,551	5,172	(5,934)	7,789

	Balance at 31 March 2011	Transfers in 2011-12	Transfers out 2011-12	Balance at 31 March 2012	Transfers in 2012-13	Transfers out 2012-13	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Sinking Fund							
Unspent Grants and Contributions	11,099	7,083	(6,998)	11,184	5,282	(4,211)	12,255
Waste Management Partnership	687	716	(656)	747	980	(652)	1,075
TOTAL	**115,454**	**93,094**	**(73,374)**	**135,174**	**91,632**	**(85,684)**	**141,122**

Details of earmarked reserves:

LMS Balances

This reserve represents estimated surpluses and deficits against delegated budgets for locally managed schools. These funds are retained for schools in accordance with the LMS arrangements approved by the DfES and are not available to the Council for general use.

Adult Education Income Reserve

The County Council is required to approve a budget for the Adult Education service five to six months in advance of the funding announcement by the Skills Funding Agency. In addition, the Skills Funding Agency can also impose penalties on the service in the event that targets are not met and these are dependent on results assessed at year end. This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency funding.

Adult Social Care Legal Liabilities

This reserve relates to a legal case by another Council on the ability to charge for certain services. It will be used to smooth future expenditure if the Council cannot charge for these services.

Adult Social Services Residential Review

This reserve has been created from savings arising from the new conditions of services and is to be used developing the homes for the elderly.

Archive Centre Sinking Fund

This reserve is to maintain the Archive Centre in accordance with a lease agreement between the County Council and the University of East Anglia.

Building Maintenance

This reserve is to ensure that the capital value of the Council's building stock is maintained and facilitates the rolling programme of building maintenance. It also allows NPS Property Consultants Ltd to respond to emergencies by carrying out repairs from day to day and as the need arises. Provision is made annually in the Revenue Budget for contributions to this fund and any under or over spending on the fund is carried forward to the next financial year.

Car Leasing Scheme

This is the accumulated trading surplus on the car leasing scheme.

Children Service's Equalisation

To fund the variance in the number of Home to School/College Transport and School Catering days in a financial year as a result of the varying dates of Easter holidays.

Community Construction Fund

This fund is available to groups such as parish councils, voluntary groups and charities to apply for a one-off grant to create village hall extensions, sports facilities, play areas and other community projects. This will enable local projects to get off the ground and provide an economic boost to local builders.

County Strategic Partnership

This reserve reflects monies that have been generated from Council Tax on second homes and in accordance with the decision of the Norfolk Local Government Association is earmarked for strategic initiatives identified by the County Strategic Partnership.

Economic Development and Tourism

This is set aside monies for specific schemes and for the promotion of tourism. Provision is made annually in the Revenue Budget for contributions to this fund and any under or over spending on the fund is carried forward to the next financial year.

ESPO Reserves

This balance represents the County Council share of reserves included in the ESPO accounts. The reserves comprise ESPO General Balances

Fire Operational Equipment Reserve

This reserve is to meet variable demands for new operational equipment and personal protective equipment that arise from larger incidents and higher than expected turnouts.

Fire Pensions Reserve

This reserve is to smooth higher than anticipated costs due in respect of ill health retirements, injury retirements and retained fire fighters who qualify for the Whole Time Uniformed scheme.

Fire Retained Turnout Payments Reserve

This reserve is to meet the variable demand on Retained Turnout costs. These costs vary from year to year. Unfavourable weather conditions can result in an increase in the number of turnouts above that assumed in the budget.

Highways Maintenance

This reserve enables a wide range of maintenance schemes to be undertaken. The balance mainly relates to commuted sums to meet future liabilities. These sums are paid by developers to cover the additional maintenance work arising from their developments. An annual amount is transferred to the works budget. The reserve is also used to carry forward balances on the Highways Maintenance Fund. Provision is made annually in the Revenue Budget for contributions to this fund and any under or over spending on the fund is carried forward to the next financial year. Expenditure is largely dependent on the severity of the winter. The reserve also reflects monies from decriminalised car parking arrangements and charging utility companies, which will be used in future years.

Historic Buildings

This is used to buy and restore historic buildings at risk of being demolished and to make grants towards the restoration of buildings.

Icelandic Banks

This is to provide for potential additional Icelandic Bank losses.

Industrial Estate Dilapidations

This is to cover potential dilapidation costs that may be incurred as a result of the expiration of the North Walsham industrial estate headlease in 2009.

Information Technology

Monies are set aside for specific IT projects.

Insurance Reserve

This reserve reflects monies set aside for future potential insurance liabilities that are in excess of those provided for in the Insurance Provision.

Modern Reward Strategy Reserve

This reserve is set aside to meet any successful equal pay claims.

Museums Income Reserve

This reserve is to assist with the budget management of fluctuations in income from visitors due to unpredictable seasonal variations. In years of unfavourable weather conditions, visitor numbers can decrease which would result in a Service overspend.

Norfolk Guidance Service Income Reserve

This reserve is to assist with the budget management of changes to contracts. Some of these contracts operate on a different financial year to the County Council.

Norfolk Infrastructure Fund

This reserve is to support infrastructure projects across the county.

Northern Distributor Route Reserve

This reserve is to support the council's funding requirement for the Northern Distributor Road and will be used to mitigate future borrowing costs for the scheme.

Norwich Schools PFI Sinking Fund

This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and schools contributions which will be needed in future financial years to meet contract payments.

NPLaw Operational Reserve

This reserve has been created to support the development and increased activities of the business and smooth variations in trading.

Organisational Change and Redundancy Reserve

This reserve was created to provide one-off funding to support and invest in transformational change e.g. shared services, which the Council faces from 2010 onwards and to fund redundancy costs.

P&T Bus Deregistration

This is funding to meet costs associated with the commercial deregistration of bus services.

P&T Demand Responsive Transport Reserve

This reserve is to enable pump priming of demand responsive transport services as changes are made in supporting public transport by increasing public transport patronage rather than directly subsidising transport operators.

P&T Park and Ride

The reserve is for future site works.

Prevention Fund

This reserve is to support future investment in prevention.

Public Transport Commuted Sums

This includes a commuted sum from Developers to cover new bus routes and lump sums received from the Government for improvements to bus services. An annual amount is transferred to the revenue budget.

Repairs and Renewals Fund

This fund is to meet the cost of purchasing and repairing specific equipment.

Re-procurement Strategic Partnership

This reserve supports a major project set up to in 2011-12 for the re-procurement of highways services, which may involve a joint venture.

Residual Insurance and Lottery Bid Development

When a cash settlement was agreed with our insurers in respect of the library fire the proceeds were paid into an earmarked reserve. Subsequent costs have been funded from this source, and outstanding costs for buildings and books have been transferred to earmarked reserves. A few issues remain outstanding (e.g. Records conservation).

Road Safety Reserve

This reserve reflects the surplus resulting from Speed Awareness Courses run by the council on behalf of the Police, to be reinvested within Road Safety

Schools Contingency

Part of the School's LMS budget, this fund is used to reimburse schools for unforeseen and special circumstances.

Schools Non-Teaching Activities

This reserve reflects trading surpluses of schools sports centre activities, as per section 458(1) of the Education Act 1996.

Schools Playing Field Sinking Fund

This reserve is to maintain and replace the astro turf playing surface at schools in accordance with a lease agreement between the schools' governing body and the County Council.

Schools Sickness Insurance

This reserve is a mutual insurance scheme operated on behalf of schools.

Strategic Ambitions Reserve

This reserve supports the Council in achieving its aspirations and strategic ambitions for Norfolk.

Street Lighting PFI Sinking Fund

This reserve has been created as a result of the Street Lighting PFI scheme and reflects receipt of government PFI grant which will be needed in future financial years to meet contract payments.

Unspent Grants and Contributions Reserve

This reserve contains the balances on the Council's unconditional grants and contributions.

Waste Management Partnership

This reserve is for waste management initiatives.

10. Comprehensive Income and Expenditure Statement: Other Operating Expenditure

The following items of income and expense have been accounted for in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement:

	2011-12 £000s	2012-13 £000s
Environment Agency precept	693	694
Eastern Sea Fisheries precept	605	551
(Gains)/losses on disposal of non current assets	53,618	70,140
Appropriation for share of ESPO	(417)	(303)
Total	**54,499**	**71,082**

11. Comprehensive Income and Expenditure Statement: Financing and Investment Income and Expenditure

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

	2011-12 £000s	2012-13 £000s
Interest payable and similar charges	33,368	34,159
Pensions interest cost and expected return on pensions assets	15,615	24,802
Interest receivable and similar income	(3,912)	(4,992)
Income and expenditure in relation to investment properties	(549)	(508)
Gains on trading accounts not included in the cost of services (note 0)	(518)	(408)
Total	**44,004**	**53,053**

12. Comprehensive Income and Expenditure Statement: Taxation and Non-Specific Grant Income

The following items of income have been accounted for in the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement:

	2011-12 Restated £000s	2012-13 £000s
Council tax income (note 34)	344,205	347,513
Non domestic rates	196,266	243,626
Non ring fenced government grants	149,582	99,856
Capital grants and contributions	115,225	108,607
Total	**805,278**	**799,602**

The 2011-12 accounts included a number of specific grants which were shown within the Cost of Services section of the Comprehensive Income and Expenditure Statement (CIES). Some of these have subsequently been reclassified as unringfenced grants which means they should be included as part of the total for Taxation and Non Specific Grant Income. As a result it has been necessary to restate the net cost of some of the services and the Taxation and Non Specific income within the CIES for 2011-12, although the Surplus or Deficit on Provision of Services total remains unchanged.

The services affected by the change together with details of the grants are shown below:

Service	**Grant Details**	**Amount £000s**
Adult Social Care	Learning Disability and Health Reform Grant (Department of Health)	29,352
Education and Children's Services	Early Intervention Grant PFI Grant (Department for Education)	39,184 4,839
Environmental and Regulatory Services	PFI Grant (Department for Communities and Local Government)	3,207
Highways and Transport Services	Local Sustainable Transport Fund (Department for Transport)	102
Fire Service	Fire Service Revenue Grants (Department for Communities and Local Government)	1,005
Other Services	Council Tax Freeze Grant New Homes Grant (Department for Communities and Local Government)	8,553 928

13. Property, Plant and Equipment

Movements in 2012-13 on Council assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
Cost or Valuation								
At 1 April 2012	1,022,388	85,475	699,332	1	45,585	14,652	1,867,433	70,580
Additions	22,615	7,189	48,011	0	20,155	9,244	107,214	2,601
Revaluation increases/(decreases):								
- to Revaluation reserve	21,767	0	0	0	0	(826)	20,941	1,606
- to surplus or deficit on provision of services	1,341	0	(499)	0	0	(2,368)	(1,526)	2,332
Derecognition - disposals	(68,420)	(11,601)	0	0	(959)	0	(80,980)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(3,611)	(3,611)	0
Reclassifications and transfers	(4,415)	(334)	(95)	0	0	606	(4,238)	0
At 31 March 2013	**995,276**	**80,729**	**746,749**	**1**	**64,781**	**17,697**	**1,905,233**	**77,119**
Accumulated Depreciation and Impairment								
At 1 April 2012	74,411	44,348	148,726	0	0	302	267,787	2,448
Depreciation charge	24,387	11,861	20,072	0	0	258	56,578	1,537
Depreciation written out to Revaluation reserve	(4,477)	0	0	0	0	(112)	(4,589)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,432)	0	0	0	0	(178)	(6,610)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(3,254)	0	0	0	0	0	(3,254)	0
- the surplus or deficit on provision of services	6,255	0	0	0	0	9,244	15,499	0
Derecognition - disposals	(1,031)	(8,864)	0	0	0	0	(9,895)	0
Derecognition – other	0	0	0	0	0	0	0	0
Reclassifications and transfers	(3,242)	(334)	57	0	0	2	(3,517)	0
At 31 March 2013	**86,617**	**47,011**	**168,855**	**0**	**0**	**9,516**	**311,999**	**3,985**
Net Book Value:								
At 31 March 2013	**908,659**	**33,718**	**577,894**	**1**	**64,781**	**8,181**	**1,593,234**	**73,134**
At 31 March 2012	947,977	41,127	550,606	1	45,585	14,350	1,599,646	68,132

Movements in 2011-12 on Council assets:

Cost or Valuation	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
At 1 April 2011	1,033,116	93,492	652,482	0	33,564	5,702	1,818,356	60,734
Additions	39,488	10,240	46,850	0	13,624	0	110,202	9,846
Donations	1,070	0	0	0	0	0	1,070	0
Revaluation increases/(decreases):								
- to Revaluation reserve	30,718	0	0	1	0	3,970	34,689	0
- to surplus or deficit on provision of services	(14,764)	0	0	0	0	(692)	(15,456)	0
Derecognition - disposals	(51,851)	(7,496)	0	0	(1,603)	0	(60,950)	0
Dercognition – other	(303)	0	0	0	0	0	(303)	0
Assets reclassified (to)/from Held for Sale	(882)	0	0	0	0	(2,492)	(3,374)	0
Reclassifications and transfers	(14,204)	(10,761)	0	0	0	8,164	(16,801)	0
At 31 March 2012	1,022,388	85,475	699,332	1	45,585	14,652	1,867,433	70,580
Accumulated Depreciation and Impairment								
At 1 April 2011	57,171	51,305	129,687	0	0	202	238,365	1,195
Depreciation charge	23,765	10,018	19,096	0	0	289	53,168	1,253
Depreciation written out to Revaluation reserve	(3,800)	0	0	0	0	(35)	(3,835)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(10,446)	0	0	0	0	(265)	(10,711)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	3,112	0	0	0	0	0	3,112	0
- the surplus or deficit on provision of services	10,541	0	(57)	0	0	0	10,484	0
Derecognition - disposals	(493)	(5,690)	0	0	0	0	(6,183)	0
Derecognition – other	(8)	0	0	0	0		(8)	0
Reclassifications and transfers	(5,431)	(11,285)	0	0	0	111	(16,605)	0
At 31 March 2012	74,411	44,348	148,726	0	0	302	267,787	2,448
Net Book Value:								
At 31 March 2012	**947,977**	**41,127**	**550,606**	**1**	**45,585**	**14,350**	**1,599,646**	**68,132**
At 31 March 2011	975,945	42,187	522,795	0	33,564	5,500	1,579,991	59,539

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. No depreciation is charged on land and other assets are being depreciated over their useful economic lives, or in the case of assets acquired under finance leases, over the period of the lease using the straight line method.

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

Buildings	5 - 60 years (70 years for ESPO assets)
Vehicles, plant, furniture and equipment	3 - 20 years (4 – 10 years for ESPO assets)
Infrastructure	20 - 40 years

Depreciation for assets acquired or disposed of during the year is calculated on a pro rata basis from the date of acquisition or disposal. This charge is for accounting purposes only and has no implications for the County Council's Council Tax. The total depreciation charged to services for the year was £56.468m (£53.068m in 2011-12).

Capital commitments

The Council's approved capital programme in 2012-13, revised for additional external funding and movement between years totals £290.526m in the years 2013-14 to 2015-16 and beyond. Of this total £80.497m relates to the estimated future payments on schemes started before 31 March 2013.

In comparison, the revised programme in 2011-12 totalled £295.428m for the years 2012-13 to 2014-15 and beyond. Of this total, £91.450m related to the estimated future payments on schemes started before 31 March 2012.

The following table shows details of the significant contracts already entered into for these schemes and the payments due in the years 2013-14 to 2015-16 and beyond.

Service/Scheme	**Purpose**	**Contract Completion**	**£000s**
Education and Children's Services			
Kings Lynn Academy	New Academy	2013-14	3,249
Thetford Academy	New Academy	2013-14	7,212
Cringleford VA Primary	New School	2013-14	4,182
Wymondham High School	New Academy	2013-14	1,955
City Academy	New Academy	2013-14	2,140
Community Services			
Peterhouse Development	New Dementia Care Unit	2013-14	1,500
Resources			
Better Broadband	Extension of community broadband	2015-16	30,440

Revaluations

The Council carries out a rolling programme that ensures that all its property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by NPS Property Consultants Ltd, a subsidiary of Norse Group Limited which is owned by the Council. ESPO undertakes an annual revaluation programme to ensure that the value of the premises at Grove Park, Enderby is correctly measured at fair value. Valuations of land and buildings for the Council and ESPO were carried out in accordance with the methodologies and bases for estimation set out in professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- Property, Plant and Equipment

  Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear and tear and obsolescence of the existing asset (Fair Value less depreciated replacement cost).

Operational properties of a non-specialised nature have been valued at existing use value.

Surplus property, plant and equipment have been valued at existing use value, with the use being defined as the property's last operational use

- Infrastructure Assets, Community Assets and Assets under Construction have been valued at historic cost rather than fair value.
- Leases

  Property leases have been split between finance and operating leases and valued accordingly.
- Investment Property

  These have been valued at fair value.
- Assets held for Sale

  These have been valued on the basis of market value with the value reported being the estimated sale price.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets.

Valued at:	**Land and Buildings**	**Vehicles, plant and equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus assets**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Carried at Historical Cost	0	33,718	577,894	1	0
Valued at current value in:					
2012-13	224,440	0	0	0	3,338
2011-12	307,655	0	0	0	1,833
2010-11	168,247	0	0	0	713
2009-10	176,275	0	0	0	1,002
2008-09	32,042	0	0	0	1,295
Total	**908,659**	**33,718**	**577,894**	**1**	**8,181**

Recognition of school assets

The Council has continued to recognise community and voluntary controlled schools on the balance sheet for 2012-13, based on an assessment of the control of the economic benefits and service potential of these assets.

However, voluntary aided schools, foundation schools and academies remain outside the council's accounts.

14. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Council.

	Windmills and Windpumps	**Other Heritage Assets**	**Total Assets**
	£000s	**£000s**	**£000s**
Cost or valuation			
1 April 2012	5,049	674	5,723
Additions	0	160	160
At 31 March 2013	**5,049**	**834**	**5,883**
Cost or valuation			
1 April 2011	5,049	500	5,549
Additions	0	174	174
At 31 March 2012	**5,049**	**674**	**5,723**

The Authority's windmills, watermills and drainage mills are reported in the Balance Sheet at buildings insurance valuation which is based on replacement cost.

The material items valued as other heritage assets include significant individual museums collection items including a Panhard-Levassor Car exhibited at Gressenhall, and archives purchased by the Authority such as the William Gunn collection, the Broadland Swan Roll, and the John Sell Cotman letters collections which are valued at purchase cost.

Heritage Assets: summary of transactions

Cost of acquisitions of heritage assets:

	2010-11 £000s	2011-12 £000s	2012-13 £000s
Purchase of manuscripts, papers and archives of local historical interest	126	174	160
Total cost of purchases	**126**	**174**	**160**

The summary of transactions does not reflect transactions prior to 1 April 2010 as it is not practicable to do so, given that there was no requirement to account for Heritage Assets as a separate class of assets prior to that date. There were no material disposals during the period covered by the summary, and all the items in the summary are reflected in the Council's Balance Sheet.

15. Investment Properties

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

	2011-12 £000s	2012-13 £000s
Rental income from investment property	568	528
Direct operating expenses arising from investment property	(19)	(6)
Net gain/(loss)	**549**	**522**

A significant proportion of the value of investment properties are represented by agricultural land with development potential, and an industrial estate.

The expenses shown above related to the energy costs in respect of investment properties apart from the industrial estate where income is received net of direct operating expenses. Other operating expenses in respect of investment properties are not recorded separately.

There are no inherent restriction on the sale of the land, but its ownership is related to long term objectives. The Airport Industrial Estate is jointly owned by Norfolk County Council and Norwich City Council. Accordingly, any decision to realise the value in this property would be taken jointly.

Of the other investment properties, there are no legal restrictions in relation to realising their value, but many are closely linked to the day to day activities of the Council and its schools, and as such the value in these properties is not immediately realisable.

The Council's obligation to repair, maintain or enhance its investment properties are commensurate with being a landlord having a variety of tenancy agreements in respect of those properties.

The following table summarises the movements in the fair value of investment properties over the year:

	2011-12 £000s	2012-13 £000s
Balance at the start of the year	**29,582**	**26,253**
Additions	0	4,000
Disposals	(12)	(404)
Net gains/(losses) from fair value investments	(3,406)	(7)
Transfers (to)/from Property, plant and equipment	51	29
Other changes	38	(92)
Balance at the end of the year	**26,253**	**29,779**

16. Intangible Assets

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

Software licences are held for the Council's finance system, a Corporate Asset Management system and the Council's share of licences held by ESPO. The costs are being written off over five years.

The software relates to:

- Upgrading the IT infrastructure for schools including Broadband Internet Connection.
- The Council's Payroll system (IHRIS).
- Modern Social Care system, used by Adult Social Care and Children's Social Services.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £2.923m charged to revenue in 2012-13 was charged to Education and Children's Services and Support Services whose costs are apportioned between all departments in the Cost of Services (£2,908m), and to ESPO included in Other Operating Expenditure (£0.015m).

The movement on the Council balances during the year:

	2011-12 £000s	2012-13 £000s
Balance at the start of the year:		
- Gross carrying amounts	37,953	38,017
- Accumulated amortisation	(29,621)	(33,376)
Net carrying amount at the start of the year	**8,332**	**4,641**
Additions (purchases)	64	0
Other disposals	0	(61)
Amortisation for the period	(3,755)	(3,097)
Net carrying amount at the end of the year	**4,641**	**1,483**
Comprising:		
- Gross carrying amounts	38,017	36,672
- Accumulated amortisation	(33,376)	(35,189)
	4,641	**1,483**

17. Financial Instruments

The following categories of financial instruments are carried in the Council's Balance Sheet:

		Long Term		Current	
		31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Investments:					
Loans and receivables		0	0	90,475	152,910
Available for sale financial assets	(i)	1,238	1,238	0	0
Icelandic Bank Investments	(ii)	8,623	7,441	4,603	1,501
Accrued interest on Icelandic Bank Investments	(ii)	(2,073)	(1,120)	0	(407)
Total included in Investments		**7,788**	**7,559**	**95,078**	**154,004**
Debtors:					
Loans and receivables	(iii)	8,482	5,130	39,910	57,826
Soft Loans (legal charges on property)	(iv)	2,539	2,375	383	937
Total included in Debtors		**11,021**	**7,505**	**40,293**	**58,763**
Borrowings:					
Financial liabilities at amortised cost:					
Principal amount		513,226	505,268	13,979	8,722

	Long Term		Current	
	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Accrued interest	0	0	6,901	6,650
Other accounting adjustments	2,448	2,416	0	0
Total included in Borrowings	**515,674**	**507,684**	**20,880**	**15,372**
Other Long Term Liabilities:				
PFI and finance lease liabilities	64,270	64,662	4,873	3,508
Total included in Other Long Term Liabilities	**64,270**	**64,662**	**4,873**	**3,508**
Creditors:				
Financial liabilities at amortised cost	1,684	0	85,445	103,465
Total included in Creditors	**1,684**	**0**	**85,445**	**103,465**

(i) The available for sale assets are the Council's investments in Norwich Airport (£1.236m) and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657 (£0.002m). Available for sale assets in the table above specifically excludes the Council's investment of £11.963m in Norse Group Ltd as the company is included in the Council's Group Accounts. None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

(ii) The total shown for Icelandic Bank investments of £7.415m at 31 March 2013 reflects the carrying value as set out in Note 7 for Kaupthing Singer and Friedlander, and Landsbanki. Based on the current information and advice available, it is anticipated that £1.501m of the impaired total will be received during 2013-14 and this has been included in short terms investments. The remaining balance of £7.441m is included within long term investments. At 31 March 2013, the Council had also received Icelandic kroner from the Winding Up Boards of both Glitnir and Landsbanki. The Icelandic kroner is subject to restrictions imposed by the Icelandic Government and the cash is held in escrow accounts in Iceland. At 31 March 2013 the Icelandic kroner has been converted to pounds sterling totalling £1.730m and this has been included within the short term investments total of £154.004m.

(iii) The debtors and creditors total in the table above excludes non contractual items (e.g. council tax) as these are not financial instruments.

(iv) The soft loans represent the total of deferred payment agreements where residential care clients have exercised their option to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value shown includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%).

The Council makes loans for car purchase to 61 employees in the authority who are in posts that require them to drive regularly on the Council's business. No Interest is charged on the loans but the Council assesses that an unsubsidised rate for such loans would have been 5.25%.

Income, Expense, Gains and Losses

	2011-12 Financial Liabilities measured at amortised cost £000s	2011-12 Financial Assets: Loans and Receivables £000s	2011-12 Financial Assets: Available for Sale £000s	2011-12 Total £000s	2012-13 Financial Liabilities measured at amortised cost £000s	2012-13 Financial Assets: Loans and Receivables £000s	2012-13 Financial Assets: Available for Sale £000s	2012-13 Total £000s
Interest expense	34,149	0	0	34,149	34,089	0	0	34,089
Impairment on (Iceland Banks)	0	(781)	0	(781)	0	70	0	70
Total expense in Surplus/Deficit on the Provision of Services	34,149	(781)	0	33,368	34,089	70	0	34,159
Interest Income	0	(2,639)	0	(2,639)	0	(4,450)	0	(4,550)
Interest income accrued on impaired financial assets		(1,273)		(1,273)	0	(542)	0	(542)
Total income in Surplus/Deficit on the Provision of Services	0	(3,912)	0	(3,912)	0	(4,992)	0	(4,992)
Net gain/(loss) for the year	34,149	(4,693)	0	29,456	34,089	(4,922)	0	29,167

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The following assumptions should be noted:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date.
- The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Available for sale assets are the Council's investment in Norwich Airport and the Airport Legislator companies and are shown at cost in line with the Council's accounting policy. This is taken to be an approximation of fair value.

The fair values calculated are as follows:

	31 March 2012 Carrying amount £000s	31 March 2012 Fair value £000s	31 March 2013 Carrying amount £000s	31 March 2013 Fair value £000s
Financial Liabilities	605,697	786,561	591,226	777,809
Loans and receivables	102,866	102,866	169,068	169,068

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

18. Inventories

The table provides details of inventories included in current assets on the balance sheet.

	2011-12 £000s	2012-13 £000s
Balance outstanding at start of year	2,425	2,388
Purchases	12,377	11,953
Recognised as an expense in year	(12,359)	(11,939)
Written off balances	(60)	(767)
Reversals of write offs in previous years	5	0
Balance outstanding at year end	**2,388**	**1,635**

19. Debtors

These are people and organisations that owe money to the Council at the end of the year. Short term debt is money expected to be paid within 12 months of the balance sheet date. Money due after this period is accounted for as long term. The Council tax debtor total includes the adjustment for the Council's share of collection fund arrears and bad debt provision, as advised by the District Councils, in relation to the collection of council tax. Further detail about this is shown in note 34 on page 66. The total for other entities and individuals includes prepayments and an adjustment for impairment (allowance for bad/doubtful debts).

	Long Term Debtors		Short Term Debtors	
	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Central Government bodies	0	0	7,828	7,253
Other local authorities	1,180	939	2,973	3,589
NHS bodies	0	0	3,010	7,716
Public Corporations and Trading Funds	0	0	11	1
Residential care debt secured by legal charge	5,019	4,772	1,411	2,107
Norse Group Ltd	4,665	1,061	3,029	2,016
Employee car loans	137	165	0	0
Prepayments	0	0	13,487	14,460
Council Tax	0	0	8,505	8,832
Other entities and individuals	20	568	25,714	29,381
Bad debt provision	0	0	(888)	(1,101)
	11,021	**7,505**	**65,080**	**74,254**

20. Cash and Cash Equivalents

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

	31 March 2012 £000s	31 March 2013 £000s
Cash and Bank balances	1,319	5,117
Short term deposits with the Money Market	116,507	65,029
	117,826	**70,146**

21. Assets Held for Sale

This table shows details of Assets Held for Sale in the balance sheet:

	Current		Non Current	
	2011-12 £000s	2012-13 £000s	2011-12 £000s	2012-13 £000s
Balance outstanding at start of year	**922**	**1,826**	**1**	**0**
Assets newly classified as held for sale:				
Property plant and equipment	4,374	3,611	0	0
Revaluation gains	26	0	0	0
Assets declassified as held for sale:				
Property plant and equipment	(1,000)	0	0	0
Assets sold	(2,492)	(3,522)	0	0
Transfers from current to non current	0	0	0	0
Transfers from non current to current	1	0	(1)	0
Other Movements	(5)	0	0	0
Balance outstanding at year end	**1,826**	**1,915**	**0**	**0**

22. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The Council tax figure is the Council's share of the creditor balances, as advised by the District Councils, in relation to the collection of council tax. Further detail about this is shown in note 34 on page 66.

	Long Term Creditors		Short Term Creditors	
	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Central Government bodies	0	0	24,832	22,451
Other local authorities	1,684	0	3,084	3,086
NHS bodies	0	0	21,351	6,745
Public Corporations and Trading Funds	0	0	0	33
Receipts in advance	0	0	3,237	1,742
Council Tax	0	0	4,818	5,092
Other entities and individuals	0	0	78,781	85,134
	1,684	**0**	**136,103**	**124,283**

23. Provisions

The County Council has made a number of provisions to set aside sums to meet liabilities that are likely or certain to be incurred but where the amount or timing of the payments is not known. Details of these provisions are as follows:

	Balance at 31 March 2012 £000s	Additional provisions made in 2012-13 £000s	Amounts used in 2012-13 £000s	Unused amounts reversed in 2012-13 £000s	Balance at 31 March 2013 £000s
Children's Services Provision for Holiday Pay	22	0	(5)	0	17
EU Regulations-Retained Fire Fighters	600	547	(297)	0	850
Insurance	13,044	6,219	(6,869)	0	12,394
Landfill Provision	0	9,244	0	0	9,244
Potential pension liability	1,270	0	0	0	1,270
Redundancy	5,595	21	(347)	0	5,269
Total	**20,531**	**16,031**	**(7,518)**	**0**	**29,044**

Consists of:					
Current Provisions	6,884	2,553	(1,333)	0	8,104
Long Term Provisions	13,647	13,478	(6,185)	0	20,940
Total	**20,531**	**16,031**	**(7,518)**	**0**	**29,044**

Children's Services Provision for Holiday Pay

This provision is to fund the reimbursement of former County Council employees frozen holiday pay, where the employee is now employed by Norse Commercial Services Ltd. Payment is made to the employee at the time of their retirement, the majority of which is anticipated to take place over the next ten years.

EU Regulations-Retained Fire Fighters

In December 2000 the Fire Brigades Union (FBU) lodged cases on behalf of their Retained Duty System members under the Part-Time Workers Regulations claiming specifically that their members had been treated less favourably than full time colleagues in relation to pension scheme membership, sick pay and acting up payments.

Insurance

This is used to meet insurance claims funded by the Council. From 1 April 1992 to 31 March 1994 the County Council self funded the first £100,000 of each and every employers and public liabilities insurance claims. This self insurance provision was then extended to include the first £250,000 of each and every liability, motor and property claim and is currently funded to meet all known claims that are due to be paid by the Council beneath this level. The provision includes claims that have been incurred but not reported (IBNR) to the Council.

Landfill

This provision represents the discounted cost of making adequate provision for the monitoring and maintenance of closed landfill sites in accordance with guidance issued by the Environment Agency for fulfilling obligations under the Landfill Directive. The provision has been recognised in the financial statements as at 31 March 2013, balanced by an addition to Surplus Assets within Property, Plant and Equipment. Prior to 31 March 2013, all after-care expenses were treated as annual revenue costs funded as part of Cost of Services in the Comprehensive Income and Expenditure Statement. From 1 April 2013, a proportion of these costs will be funded through the provision.

Potential Pensions Liability

This was created to meet the potential pension liability arising from the transfer of staff to the Norfolk and Waveney Mental Health NHS Foundation Trust.

Redundancy

This is to meet the costs for individuals who have been made redundant prior to the end of the financial year, but will not leave the Council until the following financial year.

24. Balance Sheet: Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 8 and 9.

25. Balance Sheet: Unusable Reserves

	31 March 2012 £000s	31 March 2013 £000s
Revaluation Reserve	175,478	183,885
Capital Adjustment Account	783,724	786,250
Financial Instruments Adjustment Account	(2,682)	(2,704)
Collection Fund Adjustment Account	3,687	3,740
Pensions Reserve	(678,423)	(823,518)
Deferred Capital Receipt	3,553	0
Accumulated Absences Account	(13,856)	(12,602)
	271,481	**135,051**

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	2011-12 £000s	2012-13 £000s
Balance at 1 April	**149,856**	**175,478**
Upward revaluation of assets	55,821	40,439
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(20,411)	(11,655)
(Surplus) or deficit on revaluation of non current assets not posted to the Comprehensive Income and Expenditure Statement	35,410	28,784
Difference between fair value depreciation and historical cost depreciation	(1,976)	(2,524)
Accumulated gains on assets sold or scrapped	(7,812)	(17,853)
Amount written off to the Capital Adjustment Account	(9,788)	(20,377)
Balance at 31 March	**175,478**	**183,885**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011-12 £000s	2012-13 £000s
Balance at 1 April	**788,765**	**783,724**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(53,223)	(80,459)
Revaluation gains/(losses) on property, plant and equipment	(15,153)	8,919
Amortisation of intangible assets	(3,756)	(3,097)
Revenue expenditure funded from capital under statute	(19,105)	(19,101)

Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note 10)	(57,567)	(75,060)
	(148,804)	(168,798)
Adjusting amounts written out of the Revaluation Reserve	9,788	20,377
Net written out amount of the cost of non current assets consumed in the year	(139,016)	(148,421)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	4,379	9,079
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	79,406	67,101
Application of grants to capital financing from the Capital Grants Unapplied Account	8,232	20,654
Statutory provision for the financing of capital investment charged against the General Fund	29,462	30,934
Capital expenditure charged against the General Fund	15,934	23,981
	137,413	151,749
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,406)	0
Other Adjustments	(32)	(802)
Balance at 31 March	**783,724**	**786,250**

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the discount is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is ten years from the date of repayment, which was May 2009. As a result the balance on the Account at 31 March 2013 will be charged to the General Fund on a straight line basis until May 2019.

	2011-12 £000s	2012-13 £000s
Balance at 1 April	**(2,664)**	**(2,682)**
Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(55)	(55)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	37	33
Balance at 31 March	**(2,682)**	**(2,704)**

Collection Fund Adjustment Account

This account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the District Council's Collection Funds.

	2011-12 £000s	2012-13 £000s
Balance at 1 April	**5,899**	**3,687**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,212)	53
Balance at 31 March	**3,687**	**3,740**

Pensions Reserve

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

	2011-12 £000s	2012-13 £000s
Balance at 1 April	**(511,742)**	**(678,423)**
Actuarial gains or losses on pensions assets and liabilities	(155,129)	(130,306)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(65,921)	(68,032)
Employers pensions contributions and direct payments to pensioners payable in the year	54,369	53,243
Balance at 31 March	**(678,423)**	**(823,518)**

Deferred Capital Receipts Reserve

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

The balance reflects the loan made to Norse Commercial Services Ltd, a member of Norse Group Ltd., as part funding of the acquisition of property purchased from the Council in 2009-10. During 2012-13, Norse Commercial Services Ltd agreed with the Council to repay the loan early. The loan has been fully repaid and the balance transferred to the Capital Receipts Reserve.

	2011-12 £000s	2012-13 £000s
Balance at 1 April	**3,630**	**3,553**
Loan during the year	0	0
Amounts paid during the year	(77)	(3,553)
Balance at 31 March	**3,553**	**0**

Accumulated Absences Account

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

	2011-12 £000s	2012-13 £000s
Balance at 1 April	**(14,564)**	**(13,856)**
Settlement or cancellation of accrual made at the end of the preceding year	14,564	13,856
Amounts accrued at the end of the current year	(13,856)	(12,602)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	708	1,254
Balance at 31 March	**(13,856)**	**(12,602)**

26. Cash Flow Statement - Operating Activities (Interest)

The net cash flows from operating activities include the following items:

	2011-12 £000s	2012-13 £000s
Interest received	(3,939)	(5,008)
Interest paid	33,504	34,174

27. Cash Flow Statement - Investing Activities

The net cash flows from the investing activities include the following items:

	2011-12 £000s	2012-13 £000s
Purchase of property, plant and equipment, investment property and intangible assets	96,204	116,269
Purchase of short term and long term investments	0	56,465
Other payments for investing activities	762	2,646
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,165)	(8,487)
Other receipts from investing activities	(101,517)	(99,987)
Net cash flows from investing activities	**(9,716)**	**66,906**

28. Cash Flow Statement - Financing Activities

The net cash flows from the financing activities include the following items:

	2011-12 £000s	2012-13 £000s
Cash receipts of short term and long term borrowing	0	(674)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,614	3,145
Repayments of short term and long term borrowing	8,673	13,860
Net cash flows from financing activities	**12,287**	**16,331**

29. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year;
- Expenditure on central support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure for 2012-13

	Children's Services £000s	Community Services £000s	Environment, Transport and Development £000s	Fire and Rescue Services £000s	Corporate Resources £000s	Total £000s
Fees, Charges & Service Income	(551,583)	(72,740)	(79,266)	(2,093)	(304,299)	(1,009,981)
Government Grants	(509,469)	(86,712)	(6,507)	(1,056)	(12,989)	(616,733)
Total Income	**(1,061,052)**	**(159,452)**	**(85,773)**	**(3,149)**	**(317,288)**	**(1,626,714)**
Employee Expenses	405,099	65,350	27,995	22,793	52,362	573,599
Other Service Expenses	323,250	313,637	136,144	6,621	356,071	1,135,723
Support Service Recharges	469,011	12,735	22,967	60	4,520	509,293
Total Expenditure	**1,197,360**	**391,722**	**187,106**	**29,474**	**412,953**	**2,218,615**
Net Expenditure	**136,308**	**232,270**	**101,333**	**26,325**	**95,665**	**591,901**

Portfolio Income and Expenditure: Comparative totals for 2011-12

	Children's Services £000s	Community Services £000s	Environment, Transport and Development £000s	Fire and Rescue Services £000s	Corporate Resources £000s	Total £000s
Fees, Charges & Service Income	(565,021)	(66,991)	(85,767)	(1,915)	(264,769)	(984,463)
Government Grants	(538,620)	(81,887)	(11,543)	(1,005)	(10,014)	(643,069)
Total Income	**(1,103,641)**	**(148,878)**	**(97,310)**	**(2,920)**	**(274,783)**	**(1,627,532)**
Employee Expenses	440,906	70,825	29,668	23,475	49,157	614,031
Other Service Expenses	322,555	309,346	164,078	10,341	268,410	1,074,730
Support Service Recharges	502,220	12,713	22,267	15	4,068	541,283
Total Expenditure	**1,265,681**	**392,884**	**216,013**	**33,831**	**321,635**	**2,230,044**
Net Expenditure	**162,040**	**244,006**	**118,703**	**30,911**	**46,852**	**602,512**

Reconciliation of Portfolio Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	2011-12	2012-13
	£000s	£000s
Net expenditure in portfolio analysis	602,512	591,901
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	121,721	117,738
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(38,772)	(30,959)
Cost of Services in Comprehensive Income and Expenditure Statement	**685,461**	**678,680**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012-13	**Portfolio Analysis**	**Not reported to Management**	**Not included in I&E Account**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & service income	(1,009,981)		408,911	509,293	(91,777)	(408)	(92,185)
(Surplus) or deficit on associates/joint ventures						(303)	(303)
Interest & investment income			235		235	(4,992)	(4,757)
Income and expenditure in relation to investment properties						(508)	(508)
Income from council tax						(347,513)	(347,513)
Government grants & contributions	(616,733)		95,133		(521,600)	(452,089)	(973,689)
Total Income	**(1,626,714)**	**0**	**504,279**	**509,293**	**(613,142)**	**(805,813)**	**(1,418,955)**
Employee expenses	573,599	43,230	(54,498)		562,331	24,802	587,133
Other service expenses	1,135,723		(474,524)		661,199		661,199
Support service recharges	509,293			(509,293)			0
Depreciation, amortisation & impairment		74,508			74,508		74,508
Interest payments			(6,216)		(6,216)	34,159	27,943
Precepts & Levies						1,245	1,245
(Gain) or loss on disposal of fixed assets						70,140	70,140
Total expenditure	**2,218,615**	**117,738**	**(535,238)**	**(509,293)**	**1,291,822**	**130,346**	**1,422,168**
(Surplus) or Deficit on the Provision of Services	**591,901**	**117,738**	**(30,959)**	**0**	**678,680**	**(675,467)**	**3,213**

2011-12 (Restated)	Portfolio Analysis £000s	Not reported to Management £000s	Not included in I&E Account £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(984,463)	0	831,607	24,577	(128,279)	(1,588)	(129,867)
(Surplus) or deficit on associates/joint ventures	0	0	0	0	0	(417)	(417)
Interest & investment income	0	0	0	0	0	(3,912)	(3,912)
Income and expenditure in relation to investment properties	0	0	0	0	0	(549)	(549)
Income from council tax	0	0	0	0	0	(540,471)	(540,471)
Government grants & contributions	(643,069)	0	88,915	0	(554,154)	(263,737)	(817,891)
Total Income	**(1,627,532)**	**0**	**920,522**	**24,577**	**(682,433)**	**(810,674)**	**(1,493,107)**
Employee expenses	614,031	49,600	(52,568)	(24,577)	586,486	15,615	602,101
Other service expenses	1,074,730	0	(906,726)	0	168,004	0	168,004
Support service recharges	541,283	0	0	0	541,283	0	541,283
Depreciation, amortisation & impairment	0	72,121	0	0	72,121	0	72,121
Interest payments	0	0	0	0	0	33,368	33,368
Precepts & Levies	0	0	0	0	0	1,298	1,298
(Gain) or loss on disposal of fixed assets	0	0	0	0	0	53,618	53,618
Total expenditure	**2,230,044**	**121,721**	**(959,294)**	**(24,577)**	**1,367,894**	**103,899**	**1,471,793**
(Surplus) or Deficit on the Provision of Services	**602,512**	**121,721**	**(38,772)**	**0**	**685,461**	**(706,775)**	**(21,314)**

30. Trading Operations

The Council has established a number of trading operations where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units with a turnover greater than £1.5m are shown below. The figures for each trading operation reflect adjustments, where appropriate, for pension adjustments in accordance with our accounting policy.

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement.

ETD Highways Works is the in-house delivery vehicle for the Council's Highways routine and winter maintenance services to the public.

Legal Services is a support service to the Council's services to the public and their expenditure is recharged to various service headings in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Only the net surplus of Legal Services is shown in Finance and Investment Income and Expenditure (see note 11).

		2011-12 £000s	2012-13 £000s
Included in Highways and Transport Services:			
ETD Highways Works:	Turnover	(22,031)	(21,798)
operates as an in-house facility for the provision of routine and winter maintenance facilities for Norfolk highways, on behalf of the Council.	Expenditure	16,143	20,280
	Surplus	(5,888)	(1,518)

Included in Financing and Investment Income and Expenditure Legal Services: advises on the legal aspects of all the County Council's work and provides legal representation to the County Council in a range of Courts and Tribunals. The unit also provides a legal service to a small number of outside bodies.	Turnover	(6,763)	(7,092)
	Expenditure	6,245	6,684
	Surplus	(518)	(408)
Net (surplus)/deficit on all trading operations		(6,406)	(1,926)

31. Agency Services

The County Council administers money on behalf of the Primary Care Trusts under Section 28 agreements. For 2012-13 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £9.812m (£12.821m in 2011-12).

The Agency total for 2011-12 includes £9.718m which represents income from NHS Trusts for the provision of services to clients who meet the NHS Continuing Healthcare criteria. Part of this funding relates to commissioning by Norfolk County Council on behalf of the NHS Trusts, in which the Council acts as an agent. However, it is not practical to determine the proportion of this income which relates to agency services.

32. Joint Committees

The Council is a member of three Joint Committees – Eastern Shires Purchasing Organisation (ESPO), Norfolk Museums and Archaeology, and Records. The County Council accounts include all of the Council's revenue transactions, assets and liabilities relating to the Museums and Records Committees. The Council is a member, along with six other local authorities, of ESPO. The Council's accounts include payments made to ESPO and have been adjusted for its share of ESPO transactions and assets and liabilities calculated as a proportion of the Council's share of ESPO's turnover. For 2012-13, this equates to 22.3% (21.7% in 2011-12). Further information on each of the Joint Committees can be found in their own Statements of Accounts.

33. Pooled Funds

Norfolk County Council is a partner in two pooled funds, following the ending of the Occupational Therapy Pooled Fund in December 2011, and an earlier discontinuation of the Learning Difficulties Pooled Fund. Details of each are as follows:

- Norfolk Pharmaceutical and Medicines Management Pooled Fund

From 1 September 2003, Norfolk County Council and the Norfolk Primary Care Trusts entered into an agreement to provide a pharmaceutical and medicines management service in Norfolk. Norfolk County Council provides financial management for the Pooled Fund.

	2011-12	**2012-13**
	£000s	**£000s**
Gross Income	(301)	(324)
Expenditure	247	231
(Surplus)/Deficit	**(54)**	**(93)**
Council's Contribution	44	23

The County Council and Primary Care Trusts have agreed that the surplus/deficit is to be carried forward and not returned to the Partners.

- Mental Health Pooled Fund

From 1 November 2008, Norfolk County Council and the Norfolk and Waveney Mental Health Partnership NHS Foundation Trust entered into an agreement to provide further integration of the mental health service for adults of a working age by enabling the Trust to exercise on behalf of the Council, the Council's functions in conjunction with the exercise by the Trust of its NHS functions under the terms of this agreement. The Norfolk and Waveney Mental Health Partnership NHS Foundation Trust provides financial management for the Pooled Fund.

	2011-12	**2012-13**
	£000s	**£000s**
Gross Income	(4,603)	(4,481)

Expenditure	4,519	4,404
(Surplus)/Deficit	**(84)**	**(77)**
Council's Contribution	4,603	4,481

The agreement with Norfolk and Waveney Mental Health Foundation Trust is that the annual sum paid to the Trust will not vary in the event of an overspend or underspend by the Trust in a financial year. The 2012-13 underspend will be carried forward by the Trust.

- Occupational Therapy Pooled Fund

From 1 July 2002, Norfolk County Council and Great Yarmouth and Waveney Primary Care Trust entered into an agreement to provide an integrated occupational therapy service in Great Yarmouth. Great Yarmouth and Waveney Primary Care Trust provides financial management for the Pooled Fund. This pooled fund ended in December 2011. Therefore, the figures for 2011-12 are for the period April 2011 to December 2011 only.

	2011-12	**2012-13**
	£000s	**£000s**
Gross Income	(318)	0
Expenditure	318	0
(Surplus)/Deficit	**0**	**0**
Council's Contribution	179	0

- Norfolk Learning Difficulties Pooled Fund

The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. Parties to the fund only contribute a nominal sum to it and the County Council now receives funding directly through the Department of Health Learning Difficulties Reform Grant. Income and expenditure for 2012-13 are nil (nil in 2011-12).

34. Council Tax Income

In Norfolk, council tax due to the County Council is collected by the seven District Councils. The monies paid over to the County Council include council tax income due for the year adjusted for surpluses and deficits on the collection fund relating to the previous year in accordance with Government legislation. The Code requires the Council to accrue for its share of the Collection Fund surplus (or deficit) for all of the District Councils relating to the current year. The difference between the accrued total and the amount paid under regulation is adjusted in the Movement on Reserves Statement.

	2011-12			**2012-13**		
	Precept received in year	**Adjustment for accrued amount**	**Total included in Income and Expenditure Account**	**Precept received in year**	**Adjustment for accrued amount**	**Total included in Income and Expenditure Account**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Breckland District Council	50,082	(652)	49,430	50,074	(101)	49,973
Broadland District Council	51,955	(22)	51,933	52,357	(111)	52,246
Great Yarmouth Borough Council	36,505	(68)	36,437	35,962	511	36,473
Kings Lynn and West Norfolk Borough Council	59,725	(723)	59,002	60,469	(238)	60,231
Norwich City Council	47,235	(378)	46,857	47,128	584	47,712
North Norfolk District Council	47,282	214	47,496	47,661	(125)	47,536

South Norfolk District Council	53,632	(583)	53,049	53,809	(467)	53,342
Total	**346,416**	**(2,212)**	**344,204**	**347,460**	**53**	**347,513**

The Council is also required to include its share of council tax debtor balances (adjusted for an allowance for doubtful debts) and its share of council tax creditor balances. Details of the adjustments, relating to the seven District Council's collection funds, included in the Council's balance sheet are shown in the table below.

	31 March 2012	**31 March 2013**
	£000s	**£000s**
Council tax arrears	13,243	14,906
Allowance for doubtful debts	(6,685)	(7,085)
Cash (Debtor)	1,947	1,011
Net Council tax debtor total	8,505	8,832
Council tax overpayments and prepayments	(4,818)	(5,092)
Collection fund deficit	**(3,687)**	**(3,740)**

35. Members Allowances

The total amount of members allowances paid in the year was £1.103m (£1.111m in 2011-12).

36. Officers Remuneration

(i) Council's senior employees:

The following table sets out the remuneration disclosures for senior officers.

Remuneration is deemed to include:

- Gross pay (before the deduction of employees' pension contributions)
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D).
- Compensation for loss of office and any other payments receivable on termination of employment

Figures in the table have been rounded to the nearest hundred pounds.

Position & Postholder		**Salary**	**Expenses Allowances**	**Compensation for loss of office**	**Sub Total**	**Employer Pension contributions**	**Total**
Chief Executive *	2012-13	205,300	0	163,700	**369,000**	31,800	**400,800**
(D White)	2011-12	205,300	0	0	**205,300**	31,800	**237,100**
Director of Children's Services	2012-13	139,500	600	0	**140,100**	21,600	**161,700**
(L Christensen)	2011-12	139,500	1,400	0	**140,900**	21,600	**162,500**
Director of Community Services	2012-13	139,500	1,000	0	**140,500**	21,600	**162,100**
(H Bodmer)	2011-12	138,500	800	0	**139,300**	21,500	**160,800**
Director of Environment, Transport and Development	2012-13	138,500	0	0	**138,500**	21,500	**160,000**
(M Jackson)	2011-12	134,400	0	0	**134,400**	20,800	**155,200**
Chief Fire Officer	2012-13	125,600	2,500	0	**128,100**	26,700	**154,800**
(N Williams)	2011-12	125,600	2,700	0	**128,300**	26,700	**155,000**

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Head of Finance	2012-13	116,000	0	0	**116,000**	18,000	**134,000**
(P Brittain)	2011-12	112,600	500	0	**113,100**	17,500	**130,600**
Head of HR and Organisational Development	2012-13	100,000	0	0	**100,000**	15,500	**115,500**
(A Gibson)	2011-12	97,100	1,200	0	**98,300**	15,100	**113,400**
Head of Planning, Performance and Partnerships	2012-13	100,000	0	0	**100,000**	15,500	**115,500**
(D Bartlett)	2011-12	97,100	0	0	**97,100**	15,100	**112,200**
Head of Customer Service and Communications	2012-13	100,000	0	0	**100,000**	15,500	**115,500**
(J Hannam)	2011-12	97,100	0	0	**97,100**	15,100	**112,200**
Head of Law and Monitoring Officer	2012-13	89,500	700	0	**90,200**	13,900	**104,100**
(V McNeill)	2011-12	89,500	100	0	**89,600**	13,900	**103,500**

* At its meeting on 14 January 2013 the County Council resolved that the Chief Executive be made redundant with effect from 6 April 2013 on the basis that the nature of the role will change significantly as will the person specification for the role. The compensation for loss of office consists of a payment to the former Chief Executive of £106,100 (redundancy of £35,400, payment for contractual notice of £63,600 and untaken annual leave of £7,100) and costs to the county council of terminating employment of £57,600 (employer pension strain of £48,000 and employer national insurance cost of £9,600).
The post of the Head of ICT which was included in the table in 2011-12 now reports to the Director of Environment, Transport and Development, is not included in the senior officer structure and has been removed from the table above.

(ii) The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts.

Remuneration Band	2011-12			2012-13		
	School Staff	**Other Staff**	**Total Employees**	**School Staff**	**Other Staff**	**Total Employees**
£50,000 - £54,999	127	135	262	121	89	210
£55,000 - £59,999	75	85	160	88	78	166
£60,000 - £64,999	49	24	73	50	22	72
£65,000 - £69,999	13	24	37	22	15	37
£70,000 - £74,999	12	5	17	11	5	16
£75,000 - £79,999	9	3	12	10	0	10
£80,000 - £84,999	7	9	16	5	4	9
£85,000 - £89,999	8	9	17	9	11	20
£90,000 - £94,999	2	1	3	1	1	2
£95,000 - £99,999	0	2	2	0	3	3
£100,000 - £104,999	1	1	2	1	3	4
£105,000 - £109,999	1	1	2	0	0	0

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

Exit Package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
							£000s	£000s
£0 – £20,000	493	229	135	148	628	377	3,709	2,602
£20,001 - £40,000	40	20	66	26	106	46	2,911	1,256
£40,001 - £60,000	8	4	29	6	37	10	1,838	495
£60,001 - £80,000	5	2	13	5	18	7	1,251	465
£80,001 - £100,000	0	0	1	1	1	1	83	81
£100,001-£150,000	0	0	1	0	1	0	135	0
Over £150,000	0	1	0	0	0	1	0	164
Total	**546**	**256**	**245**	**186**	**791**	**442**	**9,927**	**5,063**

37. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2011-12	**2012-13**
	£000s	**£000s**
Fees payable to Ernst & Young (Audit Commission in 2011-12) with regard to external audit services carried out by the appointed auditor	259	178
Fees payable to Ernst & Young (Audit Commission in 2011-12) in respect of statutory inspections	0	0
Fees payable to Ernst & Young (Audit Commission in 2011-12) for the certification of grant claims and returns	33	4
Fees payable in respect of other services provided by Ernst & Young (Audit Commission in 2011-12)	0	0

38. Dedicated Schools Grant

Education authorities in England are required by the Accounts and Audit Regulations 2011 and paragraph 3.4.5.1(3) of the Code to include a note demonstrating whether the Dedicated Schools Grant has been deployed in accordance with regulations.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund Academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	2011-12 Total £000s	2011-12 Central Expenditure £000s	2011-12 Individual Schools Budget £000s	2012-13 Total £000s	2012-13 Central Expenditure £000s	2012-13 Individual Schools Budget £000s
Final DSG for the financial year (before Academy recoupment)	(467,556)			(515,204)		
Academy figure recouped				61,328		
Total DSG (after Academy recoupment)	(467,556)			(453,876)		
Plus						
Brought forward from the previous year	(2,655)			(5,915)		
Less						
Carry forward to next financial year agreed in advance	0			0		
Agreed initial budgeted distribution in the year	(470,211)	(50,489)	(419,722)	(459,791)	(45,108)	(414,683)
In year adjustments	5,315	9,792	(4,477)	22,075	579	21,496
Final budget distribution for the year	(464,896)	(40,697)	(424,199)	(437,716)	(44,529)	(393,187)
Less						
Actual central expenditure	34,782	34,782	0	40,396	40,396	0
Less						
Actual ISB deployed to schools	424,199	0	424,199	393,187	0	393,187
Plus						
Council contribution for the year	0	0	0	0	0	0
Carry forward to next financial year	(5,915)	(5,915)	0	(4,133)	(4,133)	0

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012-13.

During 2011-12 a number of specific grants were reclassified from ring fenced for specific services to unringfenced grants. In the 2011-12 accounts, these were included in the Net Cost of Services within the CIES. The reclassification requires them to be shown under Taxation and Non Specific Grant Income rather than as part of the Net Cost of Services.

These changes have been reflected within the CIES restated 2011-12 figures and within the table below.

The details of the services affected, and the grants and their value are shown in Note 12.

	2011-12 Restated £000s	2012-13 £000s
Credited to Taxation and non Specific Grant Income:		
General Government Grants:		
Department for Communities and Local Government	76,105	20,938
Department for Education	34,191	37,164
Department of Health	39,184	40,310
Department for Transport	102	1,444
Total General Government Grants	**149,582**	**99,856**

Capital Grants and Contributions:		
Department for Education	73,094	60,573
Department for Transport	28,280	28,708
Developer Contributions	6,177	11,610
Department of Health	2,170	2,229
Other Local Authorities	768	2,091
Department for Communities and Local Government	3,165	1,359
Health Authorities		1,125
Grants and Contributions less than £200,000	1,571	912
Total Capital Grants and Contributions	**115,225**	**108,607**
Credited to Services:		
Community Services:		
NHS Primary Care Trusts	21,408	23,770
Skills Funding Agency	6,425	4,522
Arts Council	16	1,854
Young Person Learning Agency	1,306	1,219
Other Local Authorities	840	1,575
Sport England	697	636
Heritage Lottery Fund	119	249
Museums, Libraries and Archives Council	1,719	3
Children's Services:		
Department for Education	475,135	455,243
Young Person Learning Agency	20,320	16,281
Grants & Contributions raised directly by schools	2,531	3,584
NHS Primary Care Trusts	1,409	730
Other Local Authorities	1,166	882
Federation of Music Services	880	961
Home Office	773	380
CWDC	323	0
Teacher Training Agency	679	0
Environment, Transport and Development:		
Department for Transport	6,898	0
Department for Work and Pensions	1,194	0
Other Local Authorities	141	413
Other Services:		
Department of Health	324	284
NHS Primary Care Trusts	0	261
Grants and Contributions less than £200,000	7,788	4,205
Total Grants and Contributions recognised in net Cost of Services	**552,091**	**517,052**

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

	2011-12 £000s	**2012-13 £000s**
Conditional Revenue Grants & Contributions:		
Department for Education	2,426	1,707
Children's Workforce Development Council Grant	1,493	1,273
Department for Communities and Local Government		1,303
Skills Funding Agency		1,791
Homes and Community Agency	766	
NHS Primary Care Trusts	18,866	5,397
Other Revenue Grants & Contributions	1,105	428
Total	**24,656**	**11,899**

Capital Grants Receipts in Advance:		
Department for Education	19,428	9,184
Department for Transport	1,213	462
Developer Contributions	5,791	6,951
Homes and Community Agency	734	734
Other Local Authorities	717	734
Department for Communities and Local Government	0	191
NHS Primary Care Trusts	1,125	
School Contributions	897	927
Other smaller Capital Grants & Contributions	424	264
Total Capital Grant receipts in Advance	**29,432**	**19,447**

40. Related Party Transactions

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

Central Government
Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government Departments are set out in the subjective analysis in note 29 on amounts reported for resources allocations decisions. Grant receipts not yet recognised due to conditions attached to them at 31 March 2013 are shown in note 39.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2012-13 is shown in note 35. The Council wrote to all members requesting details of any related party transactions. There is one member (Mr Dorrington) who operates three care homes that transact with the County Council and one member (Mr Herbert) who operates a company, Allicare, providing domiciliary care services that transacts with the County Council. Invoices raised by Dorrington House during 2012-13 totalled £1.652m (£1.545m in 2011-12). Invoices raised by Allicare during 2012-13 totalled £0.237 (£0.067m in 2011-12). The Council has given £2.502m (£3.426m in 2011-12) of funding to several charities for which a number of members are Trustees. Further details are available in the Register of Member's Interests.

Officers
During the year the Council wrote to all Chief Officers requesting details of any related party transactions. There are no disclosures.

Other Public Bodies:

(i) Eastern Inshore Fisheries and Conservation Authority (EIFCA) – There are four councillors that represent the council on the EIFCA.
(ii) The Council has pooled fund arrangements with local Primary Care Trusts. Transactions and balances outstanding are detailed in note 33.
(iii) The Council has an arrangement to administer and invest surplus cash balances for the Office of the Police and Crime Commissioner for Norfolk and Norfolk & Suffolk Probation Trust. During the financial year the average daily balances invested were £33.9m and £1.5m respectively (£29.5m and £1.5m in 2011-12). The Council paid a total for interest of £0.274m and £0.013m respectively on these deposits (£0.261m and £0.012m in 2011-12).
(iv) The Council is a member of three Joint Committees – Eastern Shires Purchasing Organisation (ESPO), Norfolk Museums and Archaeology, and Records. Material transactions with these organisations are included elsewhere in the accounts.

Pension Fund
During the financial year, the pension fund had an average daily balance of £7.7m of surplus cash deposited with the Council (£9.2m in 2011-12). The Council paid the fund a total for interest of £0.067m on these deposits (£0.073m in 2011-12). The Council charged the fund £0.006m (£0.006m in 2011-12) for expenses incurred in administering these balances.

Companies and Joint Ventures
The Council has four subsidiary companies, the largest of which is Norse Group Ltd. The Council has 1 member

and 1 Chief Officer serving as Norse Group Directors in 2012-13. During the year the total values of payments made to and received from Norse Group Ltd, were £70.423m and £7.838m respectively (£75.259m and £2.827m respectively in 2011-12).

Three subsidiaries started trading in 2012-13. Hethel Innovations Ltd (HIL) and Norfolk Energy Futures Ltd (NEFL) are both 100% owned by the Council and the Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, is controlled through a 100% holding in Norfolk Regeneration Company Ltd. All have Council member or officer representation on their boards of directors. The Council has provided short term working capital and loans to the subsidiaries at appropriate rates of interest and repayable on terms relating to the nature or the loan and the expected life of underlying assets. During 2012-13, the Council transferred land valued at £0.250m to Hethel Innovation Limited.

41. Capital Expenditure and Capital Financing

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

	2011-12 £000s	2012-13 £000s
Opening Capital Financing Requirement	697,687	690,878
Opening Balance Adjustment	(23)	
	697,664	690,878
Capital Investment		
Property, plant and equipment	110,114	111,706
Investment properties	0	4,000
Heritage assets	174	160
Intangible assets	22	0
Revenue expenditure funded from capital under statute	19,105	19,101
Loans	0	550
Sources of Finance		
Capital receipts	(4,378)	(9,079)
Government grants and other contributions	(86,568)	(87,755)
Sums set aside from revenue:		
Direct revenue contributions	(15,831)	(23,978)
Minimum Revenue Provision	(29,424)	(29,344)
Closing Capital Financing Requirement	690,878	676,239
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(21,223)	(20,727)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	5,079	(2,640)
Assets acquired under Finance Leases	1,398	(1,266)
Assets acquired under PFI contracts	7,960	750
Other long term liabilities	0	9,244
Increase/(decrease) in Capital Financing Requirement	(6,786)	(14,639)

42. Leases

Council as Lessee:

(i) Finance Leases

The Council has acquired the following assets under finance leases:

- Land and Buildings – The Council has a number of finance leases of land and buildings which are leased at a peppercorn rent.
- Vehicles, Plant and Equipment – The Council has acquired vehicles and equipment for the Fire service, Library service Children's services and ICT. In addition, vehicles and equipment are leased by the Council and then sub-let to NORSE on identical terms.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012	31 March 2013
	£000s	£000s
Land and buildings	6,498	8,399
Vehicles, plant and equipment	10,832	9,760
Heritage Assets	1,015	1,220
County Council Total	**18,345**	**19,379**

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

	31 March 2012	31 March 2013
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,078	2,198
Non current	9,494	8,106
Finance costs payable in future years	1,756	1,332
Minimum lease payments	**13,328**	**11,636**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£000s	£000s	£000s	£000s
Not later than one year	2,665	2,642	2,113	2,217
Later than one year and not later than five years	8,214	6,973	7,197	6,188
Later than five years	2,449	2,021	2,261	1,899
	13,328	**11,636**	**11,571**	**10,304**

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

(ii) Operating Leases – Council as Lessee

Vehicles, Plant and Equipment:

The Council uses leased vehicles and communication equipment financed under the terms of an operating lease. The Council also operates six Park and Ride sites in and around Norwich. The Council owns all of the sites and the operators provide the buses to operate the service under an arrangement which has been identified as an operating lease.

The amount paid under these arrangements in 2012-13 was £0.756m (£0.812m in 2011-12).

Land and Buildings:

The Council leases a number of properties on short term leases which have been accounted for as operating leases.

The rentals payable in 2012-13 were £1.976m (£2.340m in 2011-12).

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

	31 March 2012	31 March 2013
	£000s	£000s
Not later than one year	2,762	1,966
Later than one year and not later than five years	6,162	4,558
Later than five years	9,306	10,729
Total	**18,230**	**17,253**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.732m (£3.152m in 2011-12).

The Council as Lessor:

Finance leases: Property

The Council has leased out school buildings to Academy schools on 125 year finance lease agreements pursuant to provisions of the Academies Act 2010. The Council has also leased out the Council's interest in the Forum complex to the Forum Trust for 125 years from September 2001. The rentals for all these leases are peppercorn rentals.

With effect from 1 April 2011, the Council transferred its 26 residential care homes to Norse Care Limited (a subsidiary of the Norse Group) on 25 year peppercorn leases each with a terminal freehold transfer option.

Operating leases

The Council leases out property under operating leases for a number of services, including Economic Development and the County Farms estate.

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

	31 March 2012 £000s	31 March 2013 £000s
Leases expiring within 1 year	2,223	2,506
Leases expiring within 2 to 5 years	4,859	7,309
Leases expiring after 5 years	8,335	11,891
	15,417	**21,706**

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

The minimum lease payments for 2012-13 reflect increases in rentals due to the re-negotiation of a number of County Farm leases.

43. PFI and similar contracts

The Council currently has four PFI contracts with private sector contractors:

Norwich Schools Private Finance Initiative (PFI)

On 20 March 2006, the Council contracted with Academy Services (Norwich) Limited to provide, under the PFI, four new build replacement primary schools, one new build junior school and one extended and refurbished secondary school.

The 5 newly constructed schools were completed by August 2008 and are included in the Council's non current assets total along with the value of the enhancement to Taverham High school. All of the schools have been revalued in line with the accounting policy for land and buildings. Two of the schools, Taverham High and Heartsease Primary, converted to Academy status on 1 April 2013.

Salt Barns Private Finance Initiative (PFI)

The Council signed a PFI contract to provide serviced salt storage facilities on 30 March 2000 and the project began in September 2000.

The contract is for the provision of 7 salt barns. These have been recognised within the Council's assets and have been revalued in line with the Council's accounting policies.

Street Lighting Private Finance Initiative (PFI)

On 3 November 2007, the Council contracted with Amey Street Lighting (Norfolk) Ltd. The contract began on 4 February 2008, when Amey took over the provision of a street lighting service using the existing equipment. The contract resulted in the renewal of 50% of streetlights, signs and bollards over a 5 year period. The contract requires the contractor to maintain 100% of the lighting points (approximately 60,000) up to a specified standard and to upgrade all those not renewed in the first 5 years to modern lighting standards by year 15 of the contract.

The renewal of the columns took place over a 5 year period, the core improvement programme. The value of the replacement columns is included within the Council's assets as Highways Infrastructure assets at historic cost.

Waste Private Finance Initiative (PFI)

On 7 February 2012, the Council contracted with Cory Wheelabrator for the treatment of waste for residual municipal solid waste. The contract, which is not yet operational, provides for the construction and operation of a new power and waste recycling centre which is subject to planning approval to be determined by the Secretary of State (see Contingent Liabilities note 48). The construction and commissioning period is expected to last three years, after which the Council will require the contractor to treat around 170,000 tonnes of waste annually for a period of 25 years.

The estimated fair value of the asset under the PFI arrangement, based on projected construction costs, will be £155m. Project costs and the resulting asset value will be subject to further refinement and negotiation following the outcome of the planning application.

It is currently anticipated that the facility will become operational, and the first service payment made in 2017. The contract, timescales and costs are subject to the Council agreeing the terms of a revised project plan with Cory Wheelabrator.

Property, Plant and Equipment

The assets used to provide services in the first three schemes are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 13. The assets to be used in the Waste PFI will be recognised once the scheme becomes operational.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2013 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due to be made under operational PFI (excludes Waste PFI) and similar contracts

	Reimbursement of capital expenditure	Payment for services	Interest	Total at 31 March 2013	Total at 31 March 2012
	£000s	£000s	£000s	£000s	£000s
Payable in 2013-14	638	7,113	6,251	**14,002**	**12,771**
Payable within 2-5 years	3,226	31,015	23,870	**58,111**	**55,395**
Payable within 6-10 years	6,038	41,244	26,293	**73,575**	**71,018**
Payable within 11-15 years	20,323	33,492	20,057	**73,872**	**71,388**
Payable within 16-20 years	26,986	38,078	7,915	**72,979**	**75,993**
Payable within 21-25 years	0	0	0	**0**	**9,504**
Total	**57,211**	**150,942**	**84,386**	**292,539**	**296,069**

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2012-13	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	28,706	782	26,972	**56,460**
Payments during the year	(4,139)	(364)	(3,563)	**(8,066)**
Capital expenditure incurred in the year	0	0	2,601	**2,601**
Finance lease cost	3,561	347	2,308	**6,216**
Balance outstanding at year end	**28,128**	**765**	**28,318**	**57,211**

Comparatives for 2011-12	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	29,244	786	18,471	**48,501**
Payments during the year	(4,165)	(352)	(2,925)	**(7,442)**
Capital expenditure incurred in the year			9,846	**9,846**
Other movements	3,627	348	1,580	**5,555**
Balance outstanding at year end	**28,706**	**782**	**26,972**	**56,460**

44. Impairment losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 13 and 16 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2012-13 the Council has recognised an impairment loss of £23.877m (£16.370m in 2011-12) in relation to capital expenditure incurred which does not result in a change to the value of the assets.

45. Termination Benefits

The Council terminated the contracts of a number of employees in 2012-13, incurring liabilities of £5.1m (£9.9m in 2011-12) – see Note 36 for the number of exit packages and total cost per band. Of this total, £0.164m is payable to the Chief Executive in the form of compensation for loss of office, as disclosed in Note 36. The remaining £4.899m is payable to 441 officers from Service departments who were made redundant as part of the Council's rationalisation of these Services.

46. Pension Schemes accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The scheme provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012-13, the County Council paid £25.826m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011-12 were £28.859m and 14.1%. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 47.

47. Defined Benefit Pension Schemes

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make future payments and thus these need to be disclosed as a future entitlement. The Council participates in two pension schemes:

- The Local Government Pension Scheme (the Pension Fund) for civilian employees, administered by the County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Fire Pension Scheme for fire fighters – this is an unfunded defined benefit final salary scheme administered by the Council, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Group Accounts

Employees of the Council's subsidiary Norse Group Ltd are also offered retirement benefits in defined benefit schemes. The Group Accounts have been adjusted to reflect the cost of retirement benefits for all Group employees. Full details of these costs and adjustments are included in the accounts of Norse Group Ltd and have not been replicated here.

Transactions Relating to post employment Benefits

The Council recognise the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Fire-Fighters Pension Scheme	
	2011-12	2012-13	2011-12	2012-13
	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	40,328	41,331	4,900	4,900
Past service costs/(gain)	524	98	2,100	0
Settlements and curtailments	3,154	(2,299)	(700)	(800)
Financing and Investment Income and Expenditure:				
Interest cost	76,361	73,977	10,200	9,700
Expected return on assets	(70,946)	(58,875)	0	0
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	49,421	54,232	16,500	13,800
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:				
Actuarial gains and losses	(147,329)	(106,306)	(7,800)	(24,000)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(97,908)	(52,074)	8,700	(10,200)
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(49,421)	(54,232)	(16,500)	(13,800)
Actual amount charged against the General Fund balance for pensions for the year:				
Employers contributions payable to the scheme*	49,369	46,043		
Retirement benefits payable to pensioners			5,000	7,200

*(includes contributions in respect of unfunded benefits)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £590.973m (£460.677m in 2011-12).

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2011-12	2012-13	2011-12	2012-13
	£000s	£000s	£000s	£000s
Balance at 1 April	1,382,218	1,545,039	184,900	204,200
Current service cost	40,328	41,331	4,900	4,900
Interest cost	76,361	73,977	10,200	9,700
Contributions by scheme participants	14,223	13,646	1,100	1,100
Transfers out to other authorities	0	0	0	(100)
Actuarial losses/(gains)	88,620	189,972	7,800	24,000
Losses on curtailments	5,829	1,438	0	0
Pension and lump sum expenditure			(6,100)	(8,200)
Liabilities extinguished on settlements	(8,228)	(10,298)	(700)	(800)
Benefits paid	(49,856)	(48,910)	0	0
Unfunded benefits paid	(4,980)	(4,894)	0	0
Past service costs/(gain)	524	98	2,100	0
Balance at 31 March	**1,545,039**	**1,801,399**	**204,200**	**234,800**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011-12	2012-13
	£000s	£000s
Balance at 1 April	1,055,376	1,070,816
Expected rate of return	70,946	58,875
Actuarial (gains)/losses	(58,709)	83,666
Employer contributions	44,389	41,149
Contributions in respect of unfunded benefits	4,980	4,894
Contributions by scheme participants	14,223	13,646
Benefits paid	(49,856)	(48,910)
Unfunded benefits paid	(4,980)	(4,894)
Assets distributed on settlements	(5,553)	(6,561)
Balance at 31 March	**1,070,816**	**1,212,681**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £142.541m (£10.122m in 2011-12).

Scheme History

	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Present value of liabilities:					
• Local Government Pension Scheme	(1,069,302)	(1,740,289)	(1,382,218)	(1,545,039)	(1,801,399)
• Fire Fighters Pension Scheme	(147,400)	(200,400)	(184,900)	(204,200)	(234,800)
Fair value of assets in the Local Government Pension Scheme	744,647	993,048	1,055,376	1,070,816	1,212,681
Surplus/(deficit) in the scheme:					
• Local Government Pension Scheme	(324,655)	(747,241)	(326,842)	(474,223)	(588,718)
• Fire Fighters Pension Scheme	(147,400)	(200,400)	(184,900)	(204,200)	(234,800)
• Total	(472,055)	(947,641)	(511,742)	(678,423)	(823,518)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £823.518m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £375.425m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- Finance is only required to be raised to cover fire fighters pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £40.139m. Expected contributions for the Fire fighters Pension Scheme in the year to 31 March 2014 are £1.990m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the fire fighters scheme and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2011-12	2012-13	2011-12	2012-13
Long term expected rate of return on assets in the scheme:				
Equity investments	6.2%	4.5%	-	-
Bonds	4.2%	4.5%	-	-
Property	4.4%	4.5%	-	-
Cash	3.5%	4.5%	-	-
Mortality assumptions:				
Longevity at 65 (60 for Fire fighters scheme) for current pensioners:				
Men	21.2	21.2	27.9	28.1
Women	23.4	23.4	30.8	31.0
Longevity at 65 (60 for Fire fighters scheme) for future pensioners:				
Men	23.6	23.6	29.5	29.7
Women	25.8	25.8	32.3	32.5
Rate of inflation	3.3%	3.6%	3.3%	3.6%
Rate of increase in salaries	4.8%	5.1%	3.5%	3.8%
Rate of increase in pensions	2.5%	2.8%	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%	4.8%	4.5%
Take up of option to convert annual pension into retirement lump sum	50%	50%	N/A	N/A

The Fire Fighters Pension Scheme has no assets to cover its liabilities. Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

	31 March 2012 %	31 March 2013 %
Equity investments	66	68
Bonds	19	19
Property	12	11
Other assets	3	2
	100	**100**

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pensions reserve in 2012-13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2008-09	2009-10	2010-11	2011-12	2012-13
	%	%	%	%	%
Differences between the expected and actual return on assets	(35.1)	18.7	(1.6)	(5.5)	6.9
Experience gains and losses on liabilities	0.2	0.2	(12.4)	1.8	0.1

48. Contingent Liabilities

Financial Guarantees

The Council applies for funding from a number of different sources. In some cases the funding agreement includes a clause requiring the Council to provide a financial guarantee in order to secure the funding. The guarantees given are not specific and generally relate to agreements to provide revenue and/or capital support for the service for which the funding is given for a specific period.

The Council has given several financial guarantees for project funding, e.g. a restoration and development project at Norwich Castle secured funding in return for guarantees that it would maintain staff levels, opening times and a joint programme with East Anglian Film Archive for 25 years after the completion of the project.

Guarantees given prior to 1 April 2006 and not previously recognised on the Balance Sheet do not need to be recognised as financial instruments but can continue to be accounted for as a contingent liability. Regulations made by Government under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, further state that any guarantees entered into before 8 November 2007 can be accounted for under the previous SORP and can also continue to be accounted for as a contingent liability.

Great Yarmouth Port Company Pension Guarantee

On 25 May 2007, the employees of Great Yarmouth Port Authority, who had transferred into the employment of the new Great Yarmouth Port Company (GYPC), were admitted into the Norfolk Pension Scheme. Norfolk County Council is underwriting any potential liability for these employees to the Pension Scheme. GYPC was required to provide land to the County Council as collateral to cover the liability, the value of which is reviewed annually. At the time of the 2012-13 valuation (June 2013), the value of the collateral was just under 190% of the potential liability. The 2013-14 valuation is ongoing. In the event that the guarantee is called upon, the Council would expect the value of the collateral to meet any obligation that may arise to the Fund.

Waste PFI Contract

The operation of the Waste PFI contract (see note 43 on page 76) is subject to the contractor obtaining planning permission to construct a new power and waste recycling centre.

The contractor is currently seeking approval in respect of a planning application to construct a new power and waste recycling centre. In July 2012, the Environment Agency announced that it has granted an Environmental Permit to allow the proposed facility to operate. On 30 August 2012, the Secretary of State for Communities wrote to Norfolk County Council to say that he had decided to “call in” the planning application. The subsequent Public Inquiry ended on 17 May 2013 and the Inspector is now expected to complete a report on the Inquiry and submit it to the Department of Communities and Local Government in September 2013. The Secretary of State is due to issue his decision on or before the 14 January 2014.

If the contract is abandoned due to planning permission not being granted despite the contractor using all reasonable endeavours the Authority will have to pay breakage costs. These costs are capped at £20.3m, plus or minus the result of breaking foreign exchange and interest rate contracts which the contractor has taken out to guarantee construction and funding costs plus, subject to the Council’s prior approval and contractual provisions, a proportion of the contractor’s professional costs.

The amount would be dependent on the prevailing financial conditions at that time, and based on markets at 30 April 2013 would generate a cost of some £11m for the foreign exchange and interest rate contracts and an estimated £1.5m to £2m to meet 90% of the contractor's public inquiry costs.

49. Nature and Extent of risks arising from Financial Instruments

The Council’s activities expose it to a variety of financial risks. The key risks are:

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

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

(i) by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

(ii) by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution

(iii) by approving annually in advance prudential and treasury indicators for the following three years limiting:

- The Council's overall borrowing
- The Council's maximum and minimum exposures to fixed and variable rates
- The Council's maximum and minimum exposures to the maturity structure of its debt
- The Council's maximum annual exposure to investments maturing beyond a year.

(iv) by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported within the annual investment and treasury strategy and prudential indicator reports which outline the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 13 February 2012 and is available on the Council website. The key issues within the strategy were:

(i) The Authorised Limit for 2012-13 was set at £749.597m. This is the maximum limit of external borrowings or other long term liabilities.

(ii) The Operational Boundary was expected to be £688.777m. This is the expected level of debt and other long term liabilities during the year.

(iii) The maximum amounts of fixed and variable interest rate exposure were set at 0% and 30% respectively based on the Council's net debt.

(iv) The maximum and minimum exposure to the maturity structure of debt is shown below.

	Approved Maximum Limit	Approved Minimum Limit
Under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	45%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

(a) Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services.

The Council does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings

The Annual Investment and Treasury Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria detailed in the Annual Investment Strategy.

The full Investment Strategy for 2012-13 was approved by full Council on 13 February 2012 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks went into administration. The Council had £32.5m invested in this sector at that time.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers

Details of the amounts recovered and the impairment on these investments is shown in note 7 on page 35.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not generally allow credit for customers, such that £28.144m of the £74.254m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2012	31 March 2013
	£000s	**£000s**
Less than three months	13,859	18,488
Three to six months	2,128	4,082
Six months to one year	3,536	1,585
More than one year	7,463	3,989
	26,986	**28,144**

The Council initiates a legal charge on property where, for instance, clients require the assistance of Social Services but cannot afford to pay immediately. The total collateral at 31 March 2013 was £3.312m.

(b) Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2012	31 March 2013
	£000s	**£000s**
Less than one year	95,077	154,004
Between one and two years	1,682	1,104
Between two and three years	1,109	1,305
More than three years	3,759	3,912
	101,627	**160,325**

All trade and other payables are due to be paid in less than one year.

(c) Refinancing Risk

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

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

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

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

	Approved maximum limits	Approved minimum limits	31 March 2012 £000s	31 March 2013 £000s
Less than one year	15%	0%	20,880	15,372
Between one and two years	15%	0%	8,634	9,109
Between two and five years	45%	0%	21,826	20,026
Between five and ten years	75%	0%	26,618	32,843
More than ten years	100%	0%	458,596	445,706
			536,554	**523,056**

The analysis does not include totals for creditors as detailed in note 22.

(d) Market Risk

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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

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

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

	£000s
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	1,066
Impact on surplus or deficit on the Provision of Services	1,066
Decrease in fair value of fixed rate investment assets	N/A
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	83,895

The approximate impact of a fall in interest rates would be limited to £533,000, this being a reduction of 0.5% current base rate. These assumptions are based on the same methodology as used in the note – Fair value of assets and liabilities carried at amortised cost.

(e) Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council does have shares in four wholly owned companies (including the Norse Group), Norwich Airport Ltd and in a local authority purchasing consortium operated by a joint committee. These holdings are illiquid and the Council is not exposed to movements in the price of the shares as these are not being traded, but would be subject to any change in fair value upon disposal.

(f) Foreign Exchange Risk

The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir/Landisbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

50. Foundation Schools

The Schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the local authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation Schools in this consolidated balance sheet.

Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation Schools, which are not required to be consolidated in this balance sheet. In this authority area for 2012-13 there are 21 Foundation Schools (24 in 2011-12). The reduction in Foundation Schools during 2012-13 is as a result of two Foundation Schools converting to Academy status and one to Community status.

51. Funds Administered for Third Parties

The Council has an arrangement to administer and invest funds on behalf of the Office of the Police and Crime Commissioner for Norfolk (PCC), Norfolk and Suffolk Probation Trust, Norfolk Pension Fund, NPS Property Consultants Ltd, Norse Commercial Services Ltd and Norse Care Ltd. Details of the amounts invested for each of these bodies as at the end of the financial year are shown in the table below. These funds, in accordance with the Code, have been excluded from the County Council's balance sheet.

	31 March 2012 £000s	31 March 2013 £000s
Office of the Police and Crime Commissioner for Norfolk	24,989	26,484
Norfolk and Suffolk Probation Trust	706	674
Norfolk Pension Fund	5,344	4,254
NPS Property Consultants Ltd	2,267	1
Norse Care Ltd	3,954	4,610
Norse Commercial Services Ltd	3,851	1,561
	41,111	**37,584**

52. Trust Funds

The Council acts as sole or custodian trustee for nine trust funds and as one of several trustees for a further seven trust funds and also manages a number of bequests. None of these funds represent assets of the Council, and they have not been included in the Balance Sheet.

Funds for which Norfolk County Council acts as sole trustee:

Two of these trust funds have asset values over £10,000 and these are separately detailed in the table below. All of the other funds have been combined as a single line in the table.

	Balance at 31 March 2012	Income	Expenditure	Transferred	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s
Lord Kitchener (Mildred Tolman Bequest)	38	0	0	0	38
Provides grants to elderly people on low income for items, services or facilities					
Mrs D.E. Cole Deceased Trust	33	0	0	0	33
To provide financial assistance for welfare purposes					
Other Funds (sole trustee)	34	1	0	0	35

Other funds:

The table shows a summary of trust funds where the Council is one of several trustees and for bequests managed by the Council. Three of these bequests have asset values over £10,000 and these are separately detailed in the table below. All of the other funds and bequests have been combined as single lines in the table.

	Balance at 31 March 2012	Income	Expenditure	Transferred	Balance at 31 March 2013
	£000s	£000s	£000s	£000s	£000s
W Watts Bequest	79	0	(3)	0	76
Munhaven Residential Home					
H L Harris Bequest	43	1	(2)	0	42
Westfields Residential Home					
Mary Howson Bequest	17	0	(1)	0	16
Woodlands Residential Home					
Other Bequests	17	0	(1)	0	16
Other Funds (joint trustees)	10	0	0	0	10

Norfolk Fire Fighters Pension Fund Accounts

This section summarises the accounts of the Fire Fighters' Pension Fund for the year ending 31 March 2013. The accounts of the Fire Fighters Pension Fund have been prepared in accordance with the accounting policies as detailed in the Statement of Accounting Policies on page 22, except for transfer values, which have been included in the statement on a cash basis.

Fire Fighters Pension Fund Account for the year ended 31 March 2013

2011-12 £000s			2012-13 £000s
	Contributions receivable		
	County Council		
(2,121)	- Contributions in relation to pensionable pay	(2,013)	
0	- Early retirements	(62)	
(1,175)	Fire fighters' contributions	(1,188)	
(3,296)			(3,263)
(49)	Transfers in from other authorities		(36)
	Benefits payable		
5,360	Pensions	5,757	
640	Commutations and lump sums	1,941	
0	Lump sum death benefits	77	
6,000			7,775
	Payments to and on account of leavers		
0	Transfers out to other authorities	87	
0	Refunds of contributions	0	
			87
2,655	Net amount payable for the year		4,563
(2,655)	Top up grant payable by Government		(4,563)
0			0

Fire Fighters Pension Fund Net Assets Statement

31 March 2012 £000s		31 March 2013 £000s
0	Top up receivable from Government	1,597
(72)	Top up payable to Government	0
0	Creditor for additional commutations and lump sums	0
72	Amount owing to General Fund	(1,597)
0		0

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Notes to the Fire Fighters Pension Fund Accounts

1. Summary of Arrangements

The new Fire Fighters Pension Scheme was introduced on 1 April 2006.

Until April 2006 the Council was responsible for paying the pensions of fire officers who retired from the Fire Service on a 'pay as you go' basis. Pension arrangements for officers already employed by the service continue under the old scheme, unless they elect to transfer to the new scheme.

Under the new arrangements the Council was required to set up two Fire Fighters pensions accounts. Contributions from the Council (employer) and officers are paid into the new accounts. The employer contribution rate has been set at 21.3% of Fire Officers pensionable pay for the old scheme and 11% of Fire Officers pensionable pay for the new scheme. Pension payments are made from the new accounts, except for injury awards which are funded by the Council.

2. Grant Arrangements

The Norfolk Fire Fighters Pension Scheme is an unfunded, defined benefit scheme which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government. The underlying principle is that employer and officer contributions together will meet the full costs of pension liabilities being accrued by serving officers while Central Government provides for the costs of pensions paid to retired officers and their dependants. Should there be a surplus in the account this is repaid to Government.

3. Pension Administration

The Council retains the responsibility for, and continues to administer and pay, fire officer pensions in accordance with the Fire Pension Regulations 1992 (old pension scheme) and 2006 (new pension scheme). The new arrangements have no impact on the benefit structure of the Norfolk Fire Fighters Pension schemes.

Group Accounts

Introduction

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

The Council is involved with a number of companies and organisations whose assets and liabilities are not included in the Council's single entity statements. In these cases the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts.

The Council does have interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. Only one of these, Norse Group Ltd is considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Norse Group Ltd.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Norse Group Ltd	Subsidiary	Consolidated
Norfolk Energy Futures Ltd	Subsidiary	Not material
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Regeneration Company Limited	Subsidiary	Not material
Norwich Airport Legislator companies	No group relationship	Not consolidated
Norfolk Historic Buildings Trust	No relationship in 2012-13 (Jointly Controlled Entity during 2011-12).	Not consolidated

Subsidiaries

Norse Group Ltd

The company was formed on 1 February 2006 and its principal activity is that of a holding company. It is a wholly owned subsidiary of the County Council and is included in the Group Accounts.

Norse Group Ltd comprises Facilities and Waste Management provider Norse Commercial Services Limited (NCS), NPS Property Consultants Limited (NPS) and Norse Care Limited (NCL).

In March 2001, the Council provided a loan of £2.440m, which is being repaid in equal instalments over 23 years by Norse Commercial Services Ltd. During 2009-10, Norse Commercial Services Ltd borrowed £3.699m from the Council to purchase property, which was fully repaid during 2012-13.

Facilities Management services include cleaning, printing, building maintenance, waste collection, transport, environmental services and security, as well as support services such as human resources and payroll. Waste management includes operating and maintaining landfill sites, waste transfer stations, and recycling facilities, as well as waste collection and composting services.

Property consultancy services include architectural services, CDM and project management, building surveying, valuation and estate management, land agency, quantity surveying, graphic design and archaeological services.

Care services includes the management and staffing of 25 residential homes and 14 housing with care schemes across Norfolk.

The group delivers a comprehensive range of professional services to both public and private sector clients throughout the UK. The group continued to expand and strengthen its position throughout the UK within its core markets, despite pressures caused by the general economic climate and significant reductions in public expenditure.

The group's client list includes many local authorities and housing associations, government departments, health authorities and emergency services.

Norfolk County Council holds 100% of the allotted ordinary shares in NORSE Group Ltd amounting to a shareholding of £11.964m. There is no parent indebtedness in the County Council for Norse Group Ltd. The company's accounting period for 2012-13 is from 01 February 2012 to 31 January 2013. The final accounts of the company for the year ended 31 January 2013 received an unqualified audit opinion. Copies of the accounts may be obtained from Companies House or by request to the County Council.

The results for the Norse Group Ltd to the end of January are shown in the table below.

	2011-12	**2012-13**
	£000s	**£000s**
Net Assets for the accounting period	10,103	(1,837)
Turnover	208,897	231,530
Profit/(Loss) for the accounting period (before Tax)	3,110	5,588
Profit/(Loss) for the accounting period (after Tax)	2,449	4,204

Norfolk Energy Futures Ltd (NEFL)

NEFL is 100% owned by the County Council and has been created to realise and maximise revenue and income from investment in renewable energy and energy conservation projects. The business will accomplish this by investing in the installing, maintaining, and repairing renewable energy generation systems, energy conservation schemes and resource recycling projects. Since starting to trade in 2012-13, the company has completed the installation of 19 x 5Kw wind turbines on 11 farms owned by Norfolk County Council.

Hethel Innovation Limited (HIL)

HIL is 100% owned by the County Council. The company has been set up as a special purpose vehicle to build 'grow on' space for businesses in an Advanced Manufacturing Centre, using EU funding. HIL started trading in 2012-13 during which the company acquired and started preparatory work on its development site adjacent to the

Hethel Engineering Centre, and started a 3 year EU Funded innovation and enterprise programme to support the growth of designated business sectors in the Eastern Region.

Norfolk Regeneration Company Limited (NRC) and Great Yarmouth Development Company Limited (GYDC)

NRC is 100% owned by the County Council. The purpose of the company is to promote economic development on behalf of the local authorities of Norfolk, with an initial focus on physical regeneration and development. The company's structure provides a mechanism for joint venture activity. GYDC (prior to 24 May 2012 known as Norfolk Regeneration Company Limited) is jointly owned with Great Yarmouth Borough Council. During 2012/13, GYDC started constructing 19 homes for sale in Great Yarmouth.

Relationships with Other Entities

Norwich Airport Legislator companies

In March 2004, the County Council and Norwich City Council sold 80.1% of the shares held in Norwich Airport Ltd to Omniport Limited. The remaining shares are held by the County Council (9%), Norwich City Council (6%) and a jointly owned local authority company, Legislator 1656 (4.9%). A second jointly owned local authority company, Legislator 1657 (a wholly owned subsidiary of Legislator 1656), holds some land associated with the airport which was excluded from the sale to Omniport. The County Council holds 60% of Legislator 1656 with the City Council holding the remaining 40%, effectively giving the County Council a further holding of 3% in the Airport Company. This is in addition to the Council's direct share holding in the airport (9%). The sale valued Norwich Airport at £13.7m and the investment value included in the Balance Sheet represents the Council's 9% direct holding in the company. Further details are included in the note on Financial Instruments on page 53.

The accounts for 2012-13 are not yet available. Copies of the accounts will be available from Companies House or by request to the County Council.

	Legislator 1656			Legislator 1657	
	2011-12	**2012-13**		**2011-12**	**2012-13**
	£000s	**£000s**		**£000s**	**£000s**
Net Assets for the accounting period	5,904			474	
Profit/(Loss) for the accounting period (before Tax)	148			(110)	
Profit/(Loss) for the accounting period (after Tax)	109			(81)	

Norfolk Historic Buildings Trust

The Trust undertakes renovations of historic buildings. Norfolk County Council has an option to have members on the Trust. During 2012-13 all Council members resigned from the Trust and the Council takes no active part in the operation or decision making for the organisation.

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code.

Where subsidiary undertakings have a different accounting year end to the Council's, the subsidiary has prepared additional financial statements as at 31 March.

Group Movement in Reserves Statement

The Code requires that the Group Movement in Reserves statement excludes movements on reserves attributable to minority interests. The Council's subsidiary Norse Group Ltd includes minority interests within their accounts. This means that totals in the Group Movement in Reserves statement do not reconcile to the Group Comprehensive Income and Expenditure Statement or the total reserves shown in the Group Balance Sheet. The table on page 95 shows the Group movements including an analysis of minority interests.

	Council's Usable Reserves Restated	**Norse Usable Reserves Restated**	**Total Group Usable Reserves Restated**	**Council's Unusable Reserves**	**Norse Unusable Reserves**	**Total Group Unusable Reserves**	**Total Group Reserves Restated**
	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**
Balance at 31 March 2011	**156,603**	**(16,552)**	**140,051**	**419,180**	**855**	**420,035**	**560,086**
Movement in Reserves during 2011-12							
Group Surplus / (Deficit)	93,746	(66,526)	27,220	0	0	0	27,220
Other Comprehensive Expenditure and Income	0	(23,365)	(23,365)	(119,734)	0	(119,734)	(143,099)
Total Comprehensive Expenditure and Income	**93,746**	**(89,891)**	**3,855**	**(119,734)**	**0**	**(119,734)**	**(115,879)**
Adjustments between Group Accounts and Council Accounts*	(72,432)	72,432	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	27,965	0	27,965	(27,965)	16,200	(11,765)	16,200
Increase / (Decrease) in Year	**49,279**	**(17,459)**	**31,820**	**(147,699)**	**16,200**	**(131,499)**	**(99,679)**
Balance at 31 March 2012	**205,882**	**(34,011)**	**171,871**	**271,481**	**17,055**	**288,536**	**460,407**
Movement in Reserves during 2012-13							
Group Surplus / (Deficit)	62,587	(58,700)	3,887	0	0	0	3,887
Other Comprehensive Expenditure and Income		(20,468)	(20,468)	(102,308)	0	(102,308)	(122,776)
Total Comprehensive Expenditure and Income	**65,587**	**(79,168)**	**(16,581)**	**(102,308)**	**0**	**(102,308)**	**(118,889)**
Adjustments between Group Accounts and Council Accounts*	(65,800)	65,800	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	34,122	173	34,295	(34,122)	(173)	(34,295)	0
Increase / (Decrease) in Year	**30,909**	**(13,195)**	**17,714**	**(136,430)**	**(173)**	**(136,603)**	**(118,889)**
Balance at 31 March 2013	**236,791**	**(47,206)**	**189,585**	**135,051**	**16,882**	**151,933**	**341,518**

* These adjustments relate to the purchase of goods and services from the Council's subsidiary company Norse Group Ltd.

Summary of Group Movements in the Movement in Reserves Statement

	Total from Movement in Reserves Statement	Minority Interest share of subsidiary reserves	Total Group Reserves
	£000s	£000s	£000s
Balance at 31 March 2011 (restated)	**560,086**	**(206)**	**559,880**
Group Surplus/(Deficit)	27,220	99	27,319
Other Comprehensive Expenditure and Income	(143,099)	(543)	(143,642)
Adjustments between accounting basis and funding basis under regulations	16,200	0	16,200
Balance at 31 March 2012 (restated)	**460,407**	**(650)**	**459,757**
Group Surplus/(Deficit)	3,887	178	4,065
Other Comprehensive Expenditure and Income	(122,776)	(1,395)	(124,171)
Adjustments between accounting basis and funding basis under regulations	0	0	0
Balance at 31 March 2013	**341,518**	**(1,867)**	**339,651**

Group Comprehensive Income and Expenditure Statement

	2011-12 Gross Expenditure Restated £000s	2011-12 Income Restated £000s	2011-12 Net Expenditure Restated £000s	2012-13 Gross Expenditure £000s	2012-13 Income £000s	2012-13 Net Expenditure £000s
Adult Social Care	349,473	67,829	281,644	373,538	92,011	281,527
Central Services to the Public	10,447	3,942	6,505	5,734	3,813	1,921
Cultural and Related Services	38,027	14,487	23,540	35,135	13,288	21,847
Environmental and Regulatory Services	73,320	33,417	39,903	88,037	37,279	50,758
Planning Services	19,366	6,466	12,900	13,507	4,804	8,703
Education and Children's Services	810,388	599,154	211,234	729,383	532,148	197,235
Fire and Rescue Services	36,010	1,329	34,681	32,529	2,163	30,366
Highways and Transport Services	87,930	21,095	66,835	96,180	13,773	82,407
Other Services	54,540	54,831	(291)	62,537	63,460	(923)
Corporate and Democratic Core	9,570	6,297	3,273	9,378	6,515	2,863
Non Distributed Costs	10,206	4,396	5,810	(542)	2,895	(3,437)
Other Operating Income	0	468	(468)	0	516	(516)
Exceptional Items	763	0	763	0	0	0
Cost of Services	**1,500,040**	**813,711**	**686,329**	**1,445,416**	**772,665**	**672,751**
Other Operating Expenditure			54,509			71,082
Financing and Investment Income and Expenditure (Note 2)			43,907			54,660
Taxation and Non-Specific Grant Income			(805,278)			(799,602)
(Surplus) / Deficit on Provision of Services			**(20,533)**			**(1,109)**
Share of surplus or deficit of associates			(86)			(109)
Tax Expenses (note 3)			(1,440)			(2,847)
Group (Surplus) / Deficit			**(22,059)**			**(4,065)**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(35,395)			(27,998)
Actuarial (Gains) / Losses on Pension Assets / Liabilities			179,037			152,169
Other Comprehensive Income and Expenditure			**143,642**			**124,171**
Total Comprehensive Income and Expenditure			**121,583**			**120,106**

Group Balance Sheet

	Group Note	31 March 2012 Restated £000s	31 March 2013 £000s
Property, Plant & Equipment	4	1,643,472	1,636,748
Heritage Assets		5,723	5,883
Investment Property		26,253	29,779
Intangible Assets	5	10,224	7,237
Long Term Investments		7,787	7,558
Investments in Associates and Joint Ventures		175	302
Long Term Debtors	7	6,356	6,444
Assets held for sale		0	0
Deferred Tax Asset		15,538	20,052
Long Term Assets		**1,715,528**	**1,714,003**
Short Term Investments		92,078	149,004
Inventories	6	4,216	3,849
Short Term Debtors	7	99,732	107,157
Cash and Cash Equivalents	8	125,578	79,817
Assets Held for Sale		1,826	1,915
Current Assets		**323,430**	**341,742**
Bank overdraft	8	(1,909)	(2,202)
Short Term Borrowing		(21,236)	(15,520)
Other Short Term Liabilities		(5,137)	(3,682)
Short Term Creditors	9	(173,933)	(159,837)
Provisions		(6,884)	(8,104)
Current tax liability		(446)	(838)
Current Liabilities		**(209,545)**	**(190,183)**
Long Term Creditors	9	(5,195)	(836)
Provisions		(13,847)	(21,300)
Long Term Borrowing		(515,674)	(510,059)
Other Long Term Liabilities		(805,508)	(974,270)
Capital Grants Receipts in Advance		(29,432)	(19,447)
Long Term Liabilities		**(1,369,656)**	**(1,525,912)**
Net Assets		**459,757**	**339,651**
Usable Reserves	11	171,871	189,585
Unusable Reserves	11	287,886	150,066
Total Reserves		**459,757**	**339,651**

Group Cash Flow Statement

	31 March 2012 £000s	31 March 2013 £000s
Net (surplus) or deficit on the provision of services	**(20,533)**	**(1,109)**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(165,357)	(157,407)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	102,789	112,565
Net cash flows from Operating Activities (Note 13)	(83,101)	(45,951)
Investing Activities (note 13)	(3,157)	71,303
Financing Activities (note 13)	11,802	20,702
Net (increase) or decrease in cash and cash equivalents	**(74,456)**	**46,054**
Cash and cash equivalents at the start of the year	**49,213**	**123,669**
Cash and cash equivalents at the end of the year (note 8)	**123,669**	**77,615**

Notes to the Group Accounts

1. Accounting Policies

1.1 General Principles

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

1.2 Business combinations

Business combinations occurring on or after 1 February 2009 are accounted for using the acquisition method under the revised IFRS 3 Business Combinations (IFRS 3R). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

1.3 Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated, without discounting, based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

1.4 Goodwill

Goodwill arises from the acquisition of a controlling interest in various companies within the group accounts. It represents the excess cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed annually for impairment and any impairment is recognised in the Comprehensive Income and Expenditure Statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

2. Group Comprehensive Income and Expenditure Statement

The income and expenses of Norse Group Ltd are consolidated in the Statement on a line by line basis.

The consolidation adjustment in the total for Financing and Investment Income and Expenditure is due to:

	2011-12 £000s	2012-13 £000s
Interest payable and similar charges	447	462
Pensions Interest cost and expected return on pensions assets	(63)	1,231
Interest receivable and similar income	(481)	(86)
Total for Norse Group Ltd	**(97)**	**1,607**

3. Tax Expenses of Group Entities

The taxation figure included in the Group Comprehensive Income and Expenditure Statement represents:

	2011-12 £000s	2012-13 £000s
Tax in respect of the current year	793	969
Deferred tax in respect of the current year (retirement benefit obligations)	(132)	(3,776)
Deferred tax on actuarial loss for the year	(2,725)	(122)
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	624	82
Total Taxation Expenses	**(1,440)**	**(2,847)**

4. Property, Plant and Equipment

Movements in 2012-13 on Group assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
Cost or Valuation								
At 1 April 2012	1,068,532	105,356	699,332	1	45,585	14,652	1,933,458	70,580
Additions	22,980	9,226	48,011	0	21,341	9,244	110,802	2,601
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases):								
- to Revaluation reserve	21,767	0	0	0	0	(826)	20,941	1,606
- to surplus or deficit on provision of services	842	0	0	0	0	(2,368)	(1,526)	2,332
Derecognition - disposals	(68,420)	(11,918)	0	0	(959)	0	(81,297)	0
Derecognition – other	0	0	0	0	0	0	0	0

Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(3,611)	(3,611)	0
Reclassifications and transfers	(3,916)	(334)	(594)	0	0	606	(4,238)	0
At 31 March 2013	1,041,785	102,330	746,749	1	65,967	17,697	1,974,529	77,119
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2012	84,519	56,439	148,726	0	0	302	289,986	2,448
Depreciation charge	25,561	14,567	20,072	0	0	258	60,458	1,537
Depreciation written out to Revaluation reserve	(4,477)	0	0	0	0	(112)	(4,589)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,432)	0	0	0	0	(178)	(6,610)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(3,254)	0	0	0	0	0	(3,254)	0
- the surplus or deficit on provision of services	6,255	0	0	0	0	9,244	15,499	0
Derecognition - disposals	(1,031)	(9,161)	0	0	0	0	(10,192)	0
Derecognition – other	0	0	0	0	0	0	0	0
Reclassifications and transfers	(3,242)	(334)	57	0	0	2	(3,517)	0
At 31 March 2013	97,899	61,511	168,855	0	0	9,516	337,781	3,985
Net Book Value:								
At 31 March 2013	**943,886**	**40,819**	**577,894**	**1**	**65,967**	**8,181**	**1,636,748**	**73,134**
At 31 March 2012	984,013	48,917	550,606	1	45,585	14,350	1,643,472	68,132

Movements in 2011-12 on Group assets:

	Land and buildings £000s	**Vehicles, plant, and equipment £000s**	**Infrastructure £000s**	**Community assets £000s**	**Assets under construction £000s**	**Surplus assets £000s**	**Total Property, Plant and Equipment £000s**	**PFI Assets included in Property, Plant and Equipment £000s**
<u>Cost or Valuation</u>								
At 1 April 2011	1,056,219	117,510	652,482	0	36,604	5,702	1,868,517	60,734
Additions	56,097	13,109	46,850		17,357	0	133,413	9,846
Donations	1,070	0	0	0	0	0	1,070	0
Revaluation increases/(decreases):								
- to Revaluation reserve	30,718	0	0	1	0	3,970	34,689	0
- to surplus or deficit on provision of services	(14,764)	0	0	0	0	(692)	(15,456)	0
Derecognition - disposals	(51,878)	(14,816)	0	0	(1,603)	0	(68,297)	0

Derecognition – other	(303)	0	0	0	0	0	(303)	0
Assets reclassified (to)/from Held for Sale	(882)	0	0	0	0	(2,492)	(3,374)	0
Reclassifications and transfers	(7,745)	(10,447)	0	0	(6,773)	8,164	(16,801)	0
At 31 March 2012	1,068,532	105,356	699,332	1	45,585	14,652	1,933,458	70,580
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2011	66,491	67,911	129,687	0	0	202	264,291	1,195
Depreciation charge	24,596	12,499	19,096	0	0	289	56,480	1,253
Depreciation written out to Revaluation reserve	(3,800)	0	0	0	0	0	(3,800)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(10,446)	0	0	0	0	0	(10,446)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	3,112	0	0	0	0	(35)	3,077	0
- the surplus or deficit on provision of services	10,541	0	(57)	0	0	(265)	10,219	0
Derecognition - disposals	(520)	(12,702)	0	0	0	0	(13,222)	0
Derecognition – other	(8)	0	0	0	0	0	(8)	0
Reclassifications and transfers	(5,447)	(11,269)	0	0	0	111	(16,605)	0
At 31 March 2012	84,519	56,439	148,726	0	0	302	289,986	2,448
Net Book Value:								
At 31 March 2012	**984,013**	**48,917**	**550,606**	**1**	**45,585**	**14,350**	**1,643,472**	**68,132**
At 31 March 2011	989,728	49,599	522,795	0	36,604	5,500	1,604,226	59,539

5. Intangible Assets

The movement on the Group balances during the year:

	2011-12			**2012-13**		
	Other Intangible Assets	**Goodwill**	**Total**	**Other Intangible Assets**	**Goodwill**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at the start of the year:						
- Gross carrying amounts	41,667	4,783	**46,450**	41,195	4,783	**45,978**
- Accumulated amortisation	(31,910)	(386)	**(32,296)**	(35,368)	(386)	**(35,754)**
Net carrying amount at the start of the year	9,757	4,397	**14,154**	5,827	4,397	**10,224**
Additions:						
Purchases	314	0	**314**	480	79	**559**
Disposals	0	0	**0**	(61)	0	**(61)**

Amortisation for the period	(4,204)	0	**(4,204)**	(3,485)	0	**(3,485)**
Net carrying amount at the end of the year	5,827	4,397	**10,224**	2,761	4,476	**7,237**
Comprising:						
- Gross carrying amounts	41,981	4,783	**46,764**	40,330	4,862	**46,476**
- Accumulated amortisation	(36,154)	(386)	**(36,540)**	(37,569)	(386)	**(39,239)**
	5,827	4,397	**10,224**	2,761	4,476	**7,237**

The goodwill in the Group Balance Sheet relates to the acquisition of companies by the NORSE Group Ltd. Other intangible assets includes computer software and other intangible assets from the Norse accounts, which are being written off over a period of 3 to 10 years.

6. Inventories

The table provides details of Norse inventories included in current assets on the balance sheet.

Consumable Stores	**2011-12 £000s**	**2012-13 £000s**
Balance outstanding at start of year	4,303	4,216
Purchases	27,624	34,544
Recognised as an expense in year	(27,656)	(34,144)
Written off balances	(60)	(767)
Reversals of write offs in previous years	5	0
Balance outstanding at year end	**4,216**	**3,849**

7. Debtors

	Long Term Debtors		**Short Term Debtors**	
	31 March 2012 £000s	**31 March 2013 £000s**	**31 March 2012 £000s**	**31 March 2013 £000s**
Central Government bodies	0	0	7,828	7,253
Other local authorities	1,180	939	8,410	12,817
NHS bodies	0	0	3,010	7,716
Public Corporations and Trading Funds	0	0	11	1
Residential care debt secured by legal charge	5,019	4,772	1,411	2,107
Finance lease debtors	0	0	0	0
Employee car loans	137	165	0	0
Prepayments	0	0	18,807	21,682
Council Tax	0	0	8,505	8,832
Other entities and individuals	20	568	52,638	48,216
Bad debt provision	0	0	(888)	(1,467)
Group Total	**6,356**	**6,444**	**99,732**	**107,157**

8. Cash and Cash Equivalents

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

	31 March 2012 £000s	31 March 2013 £000s
Single Entity Cash and Bank balances	1,319	5,117
Norse Group Ltd cash and bank balances	7,752	9,671
Short term deposits with the Money Market	116,507	65,029
Total Group Cash and Cash Equivalents	**125,578**	**79,817**
Norse Group Ltd bank overdraft	(1,909)	(2,202)
Net Group Cash Total	**123,669**	**77,615**

9. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The Council tax figure is the Council's share of the creditor balances, as advised by the District Councils, in relation to the collection of council tax. Further detail about this is shown in note 34 on page 66.

	Long Term Creditors		Short Term Creditors	
	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Central Government bodies	0	0	24,832	22,451
Other local authorities	1,684	0	3,707	3,835
NHS bodies	0	0	21,351	6,745
Public Corporations and Trading Funds	0	0	0	33
Receipts in advance	0	0	3,237	1,742
Council Tax	0	0	4,818	5,092
Other entities and individuals	3,511	836	115,988	119,939
Group Total	**5,195**	**836**	**173,933**	**159,837**

10. Defined Benefit Pension Schemes

Norse Group Ltd is a participating employer in a number of multi-employer Local Government Pension Schemes, the main one being the Norfolk Pension Fund. The transactions for the company relating to their defined benefit pension schemes have been added to those of the Council and reported in the same manner as in the single entity accounts except that the liability for the company is reflected in their usable reserves (retained earnings) via the Group Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Usable Reserves via the Movement in Reserves Statement during the year:

	2011-12 £000s	2012-13 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	48,287	49,132
Past service costs/(gain)	1,007	353
Settlements and curtailments	3,818	(2,076)

Financing and Investment Income and Expenditure:		
Interest cost	89,391	87,124
Expected return on assets	(84,457)	(70,791)
Total post employment benefit charged to the Surplus of Deficit on the Provision of Services	58,046	63,742
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:		
Actuarial gains and losses	(171,237)	(128,169)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(113,191)	(64,427)
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(58,046)	(63,742)
Actual amount charged for pensions for the year:		
Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	57,664	53,998

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £619.782m (£480.620m in 2011-12).

Assets and liabilities in relation to post employment benefits

Reconciliation of the present value of Scheme Liabilities	**2011-12**	**2012-13**
	£000s	**£000s**
Balance at 1 April	1,612,886	1,817,166
Current service cost	48,287	49,132
Interest cost	89,391	87,124
Contributions by scheme participants	17,048	16,238
Actuarial losses/(gains)	101,714	228,609
(Gains)/Losses on curtailments	(1,735)	(8,637)
Liabilities Assumed in a Business Combination		
Benefits paid	(57,579)	(55,226)
Unfunded benefits paid	(4,984)	(4,898)
Past service costs/(gain)	1,007	353
Entity combinations	11,131	0
Balance at 31 March	**1,817,166**	**2,129,861**

Reconciliation of fair value of the scheme assets:	2011-12	2012-13
	£000s	£000s
Balance at 1 April	1,250,323	1,280,422
Expected rate of return	84,457	70,791
Actuarial (gains)/losses	(69,523)	100,440
Employer contributions	52,680	49,100
Contributions in respect of unfunded benefits	4,984	4,898
Contributions by scheme participants	17,048	16,238
Benefits paid	(57,579)	(55,226)
Unfunded benefits paid	(4,984)	(4,898)
Entity combinations	8,569	
Assets Acquired in a Business Combination		
Assets distributed on settlements	(5,553)	(6,561)
Balance at 31 March	**1,280,422**	**1,455,204**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £171.239m (£12.883m in 2011-12).

11. Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 94. The reserves of Norse Group Ltd include:

	Usable Reserves	Unusable Reserves		
	Retained Earnings Restated	Capital Contribution Reserve	Revaluation Reserve	Total Unusable Reserves
	£000s	£000s	£000s	
Balance at 1 April	(34,011)	16,200	855	17,055
Profit for the year	4,719	0	0	0
Actuarial loss in respect of defined benefit pension schemes	(21,863)	0	0	0
Deferred tax in respect of defined benefit pension schemes	3,776	0	0	0
Transfer between reserves	173	0	(173)	(173)
Balance at 31 March	**(47,206)**	**16,200**	**682**	**16,882**

12. Leasing

(i) Finance Leases

The Group total comprises the Council's assets together with the vehicles, plant and equipment acquired under finance leases by the Council's subsidiary company Norse Group Ltd.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Group	31 March 2012	31 March 2013
	£000s	£000s
Land and buildings	6,498	8,399
Vehicles, plant and equipment	11,329	10,070
Heritage Assets	1,015	1,220
Group Total	**18,842**	**19,689**

The minimum lease payments are made up of the following amounts:

Group	31 March 2012	31 March 2013
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,342	2,372
Non current	9,788	8,268
Finance costs payable in future years	1,817	1,332
Minimum lease payments	**13,947**	**11,972**

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

Group	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£000s	£000s	£000s	£000s
Not later than one year	2,962	2,816	2,377	2,391
Later than one year and not later than five years	8,373	7,135	7,337	6,350
Later than five years	2,612	2,021	2,415	1,899
	13,947	**11,972**	**12,129**	**10,640**

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

(ii) Operating Leases

Vehicles, Plant and Equipment:

Norse Group Ltd - The group uses leased vehicles, plant and equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2012-13 was £1.779m (£3.304m in 2011-12). The company also leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2012-13 were £1.962m (£1.795m in 2011-12).

Details of the Council's leases are shown in Note 42 on page 75.

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

	31 March 2012	31 March 2013
	£000s	£000s
Not later than one year	6,152	2,063

Later than one year and not later than five years	15,844	5,287
Later than five years	14,679	12,.001
Total	**36,675**	**19,351**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £6.473m (£8,251m in 2011-12)

13. Notes to the Cash Flow Statement

	2011-12 £000s	2012-13 £000s
Operating activities - the net cash flows include the following items:		
Interest received	(4,002)	(5,094)
Interest paid	33,945	34,636
Investing activities - the net cash flows include the following items:		
Purchase of property, plant and equipment, investment property and intangible assets	103,061	120,251
Purchase of short term and long term investments	0	56,859
Other payments for investing activities	464	2,887
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,165)	(8,707)
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	(101,517)	(99,987)
Net cash flows from investing activities	**(3,157)**	**71,303**
Financing activities - the net cash flows include the following items:		
Cash receipts of short term and long term borrowing	(1,700)	(674)
Other receipts for financing activities		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,071	3,367
Repayments of short term and long term borrowing	9,425	13,860
Other payments from financing activities		4,149
Net cash flows from financing activities	**11,802**	**20,702**

14. Financial Instruments

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

		Long Term		Current	
		31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Investments:					
Loans and receivables		0	0	87,475	147,910
Available for sale financial assets	(i)	1,238	1,238	0	0
Icelandic Bank Investments	(ii)	6,550	6,321	4,603	1,094
Total included in Investments		**7,787**	**7,559**	**92,078**	**149,004**
Debtors					
Loans and receivables	(iii)	3,817	4,069	77,591	97,120
Soft Loans (legal charges on property)	(iv)	2,539	2,375	383	937
Total included in Debtors		**6,356**	**6,444**	**77,974**	**98,057**
Borrowings					
Financial liabilities at amortised cost:					
Principal amount		513,226	507,643	14,335	8,870
Accrued interest		0	0	6,901	6,650
Other accounting adjustments		2,448	2,416	0	0
Total included in Borrowings		**515,674**	**510,059**	**21,236**	**15,520**
Other Long Term Liabilities					
PFI and finance lease liabilities		64,564	64,823	5,137	3,508
Total Other Long Term Liabilities		**64,564**	**64,823**	**5,137**	**3,508**
Creditors					
Financial liabilities at amortised cost		5,195	836	126,023	149,336
Total included in Creditors		**5,195**	**836**	**126,023**	**149,336**

(i) The available for sale assets are the Council's investments in Norwich Airport (£1.236m) and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657 (£0.002m). None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

(ii) The total shown for Icelandic Bank investments of £7.415m at 31 March 2013 reflects the carrying value as set out in Notes 7 and 17 to the Single Entity accounts.

(iii) The debtors and creditors total in the table above excludes non contractual items (e.g. council tax) as these are not financial instruments.

(iv) The soft loans represent the total of deferred payment agreements where residential care clients have exercised their option to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value shown includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%).

The Council makes loans for car purchase to 61 employees in the authority who are in posts that require them to drive regularly on the Council's business. No Interest is charged on the loans but the Council assesses that an unsubsidised rate for such loans would have been 5.25%.

Norfolk Pension Fund Accounts

Introduction

This section provides details of the accounts of the Local Government Pension Fund for the year ending 31 March 2013.

The Local Government Pension Scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendment.

The full Pension Fund Accounts will be considered by the Pensions Committee at its meeting on 24 September 2013 and will be incorporated in the Pension Fund Annual Report. A copy of the report will be placed on the Pension Fund's website www.yourpension.org.uk

The Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 (the Code of Practice) requires authorities to account for pension funds in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations detailed in the Code of Practice.

The accounting statements in this section comprise:

- Revenue and Fund Account – shows the changes in net assets available for benefits, including income to and expenditure from the fund relating to scheme members and to the investment and administration of the fund
- Net Assets Statement – discloses the type and value of the assets available at the year end to meet benefits
- Notes to the accounts – provide additional information including a description of the fund, a summary of the significant applicable accounting policies, and supporting information on the figures included in the accounts.

A list of participating employers is included at the end of this section.

Independent Auditor's Report on Norfolk Pension Fund Accounts to the Members of Norfolk County Council

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Norfolk County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities set out on page 12, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Peter O'Neill
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading

Revenue and Fund Account for the year ended 31 March 2013

	Note	2011-12	2012-13
		£000s	**£000s**
Dealings with members, employers and others directly involved in the fund			
Contributions	7	111,110	111,682
Transfers in from other pension funds	8	18,320	16,467
		129,430	**128,149**
Benefits	9	(108,844)	(111,801)
Payments to and on account of leavers	10	(3,841)	(5,278)
Administration expenses	11	(1,635)	(1,709)
		(114,320)	**(118,788)**
Net additions/withdrawals from dealings with members		**15,110**	**9,361**
Returns on investments			
Investment income	12	50,005	54,007
Taxes on income	13	(376)	(342)
Profit and losses on disposal of investments and changes in the market value of investments	15a	(10,074)	232,679
Investment management expenses	14	(8,242)	(10,101)
Net return on investments		**31,313**	**276,243**
Net increase/decrease in the net assets available for benefits during the year		**46,423**	**285,604**
Opening net assets of the scheme		**2,151,188**	**2,197,611**
Closing net assets of the scheme		**2,197,611**	**2,483,215**

Net Assets Statement at 31 March 2013

	Note	2011-12	2012-13
		£000s	**£000s**
Investment assets	15	2,176,648	2,475,509
Investment liabilities	15	(8,131)	(17,480)
		2,168,517	**2,458,029**
Long term Debtors	20	9,557	8,748
		9,557	**8,748**
Current Assets			
Debtors	20	18,521	17,928
Cash in hand		5,528	4,461
		24,049	**22,389**
Current Liabilities			
Creditors	21	(4,512)	(5,951)
		(4,512)	**(5,951)**
Net Current Assets		**19,537**	**16,438**
Net Assets of the Fund available to fund benefits at the period end		**2,197,611**	**2,483,215**

The fund accounts and the net assets statement do not take account of liabilities to pay pensions and other benefits after the period end. The ability to meet these future liabilities is considered by the Fund Actuary as part of the triennial formal valuation process. Information relating to the valuation of these liabilities is shown in note 19.

Notes to the Accounts

1. Description of the Fund

The Norfolk Pension Fund ("the fund") is part of the Local Government Pension Scheme and is administered by Norfolk County Council ("the Administering Authority"). The Administering Authority is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to the Norfolk Pension Fund Annual Report 2012-13 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

(a) General

The fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined benefit pension scheme administered by Norfolk County Council to provide pensions and other benefits for pensionable employees of Norfolk County Council, the district councils in Norfolk and a range of other scheduled and admitted bodies. Teachers, police officers and fire fighters are not included as they come within other national public sector pension schemes.

The Council has delegated its pension functions to the Pensions Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Head of Finance.

The Pension Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice.
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service.
- Consider issues arising and make decisions to ensure efficient and effective performance and service delivery.
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary.

(b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Norfolk Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation.

  Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are currently 152 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below:

	31 March 2012	31 March 2013
Number of Employers with Active Members	**134**	**152**
Number of Employees in Scheme		
Norfolk County Council	15,529	15,457
Other Employers	10,462	10,982
Total	**25,991**	**26,439**
Number of Pensioners		
Norfolk County Council	9,794	10,325
Other Employers	9,002	9,526
Total	**18,796**	**19,851**
Deferred Pensioners		
Norfolk County Council	14,275	15,279
Other Employers	8,498	9,256
Total	**22,773**	**24,535**

The movement in employer numbers is due to the following employers leaving or joining the fund during the financial year: -

Employers ceasing to have active employees in the Fund:	**Employers joining the active section of the Fund:**
1. Age UK Norwich 2. Amey Infrastructure Services 3. ARP Trading 4. Biffa Cleansing and Grounds 5. Cley Parish Council 6. Crossroads Care East Anglia 7. Easton College 8. Norfolk Rural Community Council 9. South Walsham Parish Council 10. Stibbard Parish Council 11. Tasburgh Parish Council	1. 4Children 2. Acle Academy 3. Admirals 4. Action for Children (Dereham) 5. Action for Children (Hethersett) 6. Action for Children (Thorpe) 7. Action for Children (Wells) 8. Aylmerton Parish Council 9. Beighton Parish Council 10. Circle Care and Support 11. Costessey Junior School 12. Diamond Academy 13. Easton and Otley College 14. Eaton Hall Specialist Academy 15. Flegg High School 16. Great Yarmouth Community Trust 17. Great Yarmouth Primary Academy 18. Hellesdon High School Academy 19. Hobart High School Academy 20. Hunstanton Town Council 21. Iceni Academy 22. Martham Parish Council 23. NCS (Assistive Technology) 24. Norfolk Educational Services (NES) 25. Norwich Norse 26. Ormiston Children and Families Trust 27. Reepham High School and College 28. RM Education 29. The Nicholas Hamond Academy

A full list of participating employers is shown on page 149.

(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2013.

Full-time equivalent salary 2012-13	**Full-time equivalent salary 2013-14**	**Contribution rate per year**
Up to £13,500	Up to £13,700	5.5%
£13,501 - £15,800	£13,701 - £16,100	5.8%
£15,801 - £20,400	£16,101 - £20,800	5.9%
£20,401 - £34,000	£20,801 - £34,700	6.5%
£34,001 - £45,500	£34,701 - £46,500	6.8%
£45,501 - £85,300	£46,501 - £87,100	7.2%
More than £85,300	More than £87,100	7.5%

Employee contribution rates are prescribed by the governing regulations, and cannot be varied locally. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2010, and work on the March 2013 valuation is under way. Currently, employer contribution rates range from 8% to 26.8% of pensionable pay.

(d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary	No automatic lump sum
Additional Lump Sum	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1of pension given up	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1of pension given up

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For details please contact the Fund.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011. The 2013 pensions increase was 2.2% (5.2% in 2011-12).

LGPS 2014

It is expected that new regulations setting out details of LGPS 2014 will be laid in the Autumn of 2013, ready for implementation on the 1st April 2014.

As part of the LGPS 2014 timetable, the government will commence statutory consultation later in the Autumn and following that, will issue “Benefits” and “Transitional” Provisions legislation and “Governance” Regulations, in order to implement these proposals. The main provisions of the proposed LGPS 2014 are as follows:

- A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme).
- An accrual rate of 1/49th (the current scheme is 1/60th).
- No normal scheme pension age, instead each member’s Normal Pension Age (NPA) would be their State Pension Age (the current scheme has an NPA of 65).
- Average member contributions to the scheme would be 6.5% (same as the current scheme). The rate will be determined on actual pay (including non contractual overtime and additional hours for part time staff (the current scheme determines part-time contribution rates on full time equivalent pay).
- A 50/50 option that will allow members to elect to pay half contributions for half the pension, while still retaining the full value of other benefits (the current scheme has no such flexible option).
- For current scheme members, benefits for service prior to 1st April are protected, including remaining ‘Rule of 85’ protection. Protected past service continues to be based on final salary and current NPA.
- Death in Service 3 times pensionable pay.
- Vesting Period 2 years (current scheme is 3 months).

2. Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2012-13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 approach, is disclosed at Note 19 of these accounts.

The accounts have been prepared on the normal accruals basis of accounting other than in respect of transfer values.

Generally transfer values are prepared on a cash basis. Where a transaction in respect of a transfer out has already been processed through the pensions administration system but not through the accounts payable system a creditor will be shown.

The 2011-12 comparator for derivatives have been re-presented to reflect the split between assets and liabilities, in line with the 2012-13 presentation. The 2011-12 figures for Investment Management expenses in Note 14 have also been re-presented in line with the more detailed 2012-13 presentation.

3. Summary of Significant Accounting Policies

Fund Account - Revenue Recognition

(a) Contribution income

Employees normal and additional contributions are accounted for when deducted from pay. Employer contributions are accounted for on the same basis as they are expressed in the Rates & Adjustments certificate to the relevant formal valuation. Employees and employers normal contributions are accounted for on an accruals basis.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in and out are accounted for on a cash basis when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

(c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Income distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Property-related income

Property-related income consists of rental income and income from pooled property investment vehicles. Income from pooled property investment vehicles is recognised as in iii) above.

v) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account - Expense Items

(d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

(e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

(f) Administration expenses

All administrative expenses are accounted for on an accruals basis. All costs incurred in respect of the administration of the Fund by the Administering Authority are charged to the fund. These include staff, accommodation and IT costs.

(g) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fund Manager fees are broadly based on the market value of the assets under management and therefore increase or reduce as the value of these investments change. Fees payable to external investment managers and the custodian are in accordance with the contractual agreements with the Fund.

In addition the Fund has agreements with the following managers that an element of their fee is performance related:

Manager	Asset Class
Baillie Gifford & Co	UK Equities
Capital International	Global Equities
Fidelity	Overseas Equities
Henderson Global Investors	Fixed Income

	2011-12 £000s		2012-13 £000s
Performance-related fees	620		947

Where an investment managers' fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year plus any appropriate performance allowance is used for inclusion in the Fund account.

	2011-12 £000s		2012-13 £000s
Value of fees based on estimates	1,392		2,149

The cost of obtaining investment advice from external consultants, investment performance measurement, governance and voting and custody is included in investment management charges.

Net Assets Statement

(h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.

  Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs.

  Directly held investments included investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines.

iv) Limited partnerships

Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

vi) Freehold and leasehold properties

The property holding was valued at open market value on 31 March 2013 by NPS Property Consultants Ltd using a MRICS qualified Valuer in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards 2012. The basis of valuation is defined by the Standard as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". NPS Property Consultants Ltd is an employer within the Norfolk Pension Fund and the surveyor that undertook the valuation was a contributing member when the valuation was completed.

(i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

(j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

(k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits as arising. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents held with the global custodian (currently Northern Trust) are classified as cash deposits within other investment balances. Operational cash balances managed by the Administering Authority's treasury management operations are disclosed as cash in hand within current assets.

(l) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

(m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 19).

(n) Additional voluntary contributions (AVCs)

The Fund has three appointed providers of AVCs; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors).

AVCs are held by the providers and do not form part of the Fund's assets. These amounts are not included in the main fund accounts in accordance with Regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 but are disclosed as a note only (note 22).

Members participating in these arrangements receive an annual statement at 31 March each year showing the amount held in their account and the movements in the year. Contributions are deducted from member salaries by their employer and paid directly to the AVC providers. AVCs may be used to fund additional retirement benefits or to purchase additional life cover at a level higher than that provided by the main scheme.

Upon retirement the value of an individual AVC account may be used in some or all of the following ways depending on the circumstances of the retiring member:

i) Buy an annuity from a third party provider.

ii) Buy an annuity within the LGPS.

iii) Take some of or the entire accumulated AVC fund as cash, if within limits set down in the scheme regulations and by HMRC.

iv) Under certain specific circumstances buy extra membership within the LGPS (this is a legacy right associated with some members only)

4. Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Funds managed by HarbourVest are subject to full valuations at 31 March each year. Standard Life funds are valued at 31 December and rolled forward for cash flows to 31 March.

	2011-12 £000s		**2012-13 £000s**
Value of unquoted private equity	169,839		181,608

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The assumptions underpinning the valuations are agreed with the actuary and are summarised in note 18. In accordance with IAS26 the fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits (see note 19). Actuarial methodology used in triennial valuations is different from that used in IAS26, therefore they will produce different liability values at a common valuation date.

The liability estimates in Notes 18 and 19 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits (measured under IAS26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £316 million. A 0.25% increase in the assumed earnings inflation would increase the value of liabilities by approximately £54 million, a 0.5% increase in the pension increase rate would increase the liability by approximately £223 million and a one-year increase in assumed life expectancy would increase the liability by approximately £107 million.
Private Equity	Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £181.6 million. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the Balance Sheet Date

There have been no events since 31 March 2013, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions receivable

	2011-12	2012-13
	£000s	£000s
By Category		
Employers – normal	78,363	81,912
Employers – special	867	801
Employers – augmentation	54	206
Employers – strain	4,555	2,250
Members – normal	26,259	25,587
Members – purchase of additional scheme benefits	1,012	926
	111,110	**111,682**

	2011-12	2012-13
	£000s	£000s
By Authority		
Administering authority	52,846	50,133
Other scheduled bodies	38,772	38,853
Community admission bodies	5,460	5,595
Transferee admission bodies	962	3,181
Resolution bodies	13,070	13,920
Total	**111,110**	**111,682**

Special contributions represent amounts paid by employers in excess of the minimum contribution levels required by the Actuary in the Rates and Adjustment Certificate to the applicable triennial valuation and to termination settlements agreed by scheduled bodies ceasing participation in the Fund. They do not relate to augmentation and strain arising on non ill-health early retirements

Where applicable the actuarial certification of the employer's contribution rate includes an element in respect of deficit funding estimated to recover the deficit on that employers section of the Fund over an agreed period.

	2011-12	2012-13
	£000s	£000s
Deficit recovery contribution included in employers' normal contributions	15,391	20,151
Total	**15,391**	**20,151**

Pension benefits are funded to be paid from normal retirement age. If any employee is allowed to take their pension benefits early this places an additional cost (strain) on the Pension Fund. Employers are required to reimburse the Pension Fund in respect of the "strain costs" arising from an employee taking early retirement. In some cases the cost can be paid in full at the date of retirement or by instalments over 3 years in which case interest is added.

The LGPS provides scope for employers to award additional years of membership on retirement. If an employer opts to award augmented membership he is required to purchase the additional period from the Pension Fund. Again in some cases the cost can be paid in one instalment or over 3 years with an appropriate interest adjustment.

The outstanding instalments due after 31 March were:

	2011-12	2012-13
	£000s	**£000s**
Strain instalments due after the balance sheet date	42	9
Total	**42**	**9**

The debtors figure for augmentation/strain due in note 20 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2013.

8. Transfers in from other Pension Funds

	2011-12	2012-13
	£000s	**£000s**
Group transfers	8,881	8,176
Individual transfers	9,439	8,291
Total	**18,320**	**16,467**

The 2012-13 transfers in figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements and the bulk transfer settlement received in the year from the Suffolk Pension Fund in respect of staff transferred following the Easton and Otley College merger.

In 2011-12 the transfers in figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements and two bulk transfer settlements received in the year from the Principal Civil Service Pension Scheme in respect of Learning & Skills Council employees transferred to Norfolk County Council and the London Borough of Waltham Forest in respect of employees transferred to NPS London Ltd.

With effect from 1 April 2005 the Magistrates Courts Service (a body participating in the Norfolk Pension Fund) became part of the civil service. Terms have been agreed for the transfer of liabilities from all Local Government Pension Schemes (LGPS) to the Principal Civil Service Scheme (PCSPS).

Each affected LGPS fund's actuary has determined the value of the pensioner and deferred liabilities remaining with the LGPS and calculated the requirement for sufficient retained assets to match these liabilities.

The Actuary has determined that there are insufficient assets to cover the remaining liabilities so a balancing payment is required to the Fund by the Civil Service (Her Majesty's Courts Service), spread over ten annual instalments.

	2011-12	2012-13
	£000s	**£000s**
HMCS total present value	10,953	8,504
Total	**10,953**	**8,504**

The discounted value of these cash flows is included in debtor balances at the year-end. The total present value of these payments is calculated as £8.5 million. As the payment is being made direct by the sponsoring government department rather than from the PCSPS (a registered pension scheme), the income has been classified as employer special contributions.

9. Benefits payable

	2011-12 £000s	2012-13 £000s
By Category		
Pensions	80,092	87,606
Commutation and lump sum retirement	26,366	21,886
Lump sum death benefits	2,386	2,309
Total	**108,844**	**111,801**
By Authority		
Administering authority	53,142	51,766
Other scheduled bodies	41,612	44,179
Community admission bodies	4,167	4,555
Transferee admission bodies	2,354	3,194
Resolution bodies	7,569	8,107
Total	**108,844**	**111,801**

10. Payments to and on account of leavers

	2011-12 £000s	2012-13 £000s
Refunds to members leaving service	19	13
Individual Transfers out to other Schemes	3,822	5,210
Payment made under Regulation 74, 75 and 15(3) of the Local Government Pension Scheme (Administration) Regulations 2008	0	55
Total	**3,841**	**5,278**

11. Administrative Expenses

The Local Government Pension Scheme Regulations enables administration expenses to be charged to the Fund.

Internal audit services are provided by Norfolk audit Services, the internal audit function of the Administering Authority. Internal legal fees represent the total cost of internal advice provided by the legal services unit of the Administering Authority (NPLaw).

	2011-12 £000s	2012-13 £000s
Employee Costs	1,053	1,073
Operational support services	373	445
Communication expenses	86	83
Actuarial fees	45	42
Internal audit fees	22	17
External audit fees	40	23
Internal legal fees	11	19
External legal fees	5	7
Total	**1,635**	**1,709**

12. Investment Income

	2011-12	2012-13
	£000s	£000s
Income from fixed interest securities	6,355	6,038
Equity dividends	16,637	17,811
Pooled property investments	10,084	11,073
Pooled fund income- Unit trusts and other managed funds	11,394	11,283
Private equity income	723	2,971
Pooled funds rebate	4,388	4,463
Stock lending	205	155
Interest on cash deposits	210	189
Property (Note 12a)	0	21
Other	9	3
Total Investment Income	**50,005**	**54,007**

12 (a). Property Income

	2011-12	2012-13
	£000s	£000s
Rental income	0	21
Direct operating expenses	(188)	(8)
Net income	**(188)**	**13**

13. Taxes on Income

	2011-12	2012-13
	£000s	£000s
Withholding tax - equities	324	305
Withholding tax – pooled investments	52	37
	376	**342**

14. Investment Expenses

	2011-12	2012-13
	£000s	£000s
Management fees – invoiced ad valorem	3,594	4,617
Management fees – invoiced performance	620	947
Management expenses on unit trusts	1,083	1,453
Private Equity – fund of fund fees	2,452	2,714
Direct Property	188	8
Custody fees	84	96

Performance monitoring service	8	7
Actuarial fees - investment consultancy	153	57
Internal legal fees	5	2
External legal fees	20	113
Governance & Voting Services	24	24
Derivative commission fees	11	63
Total	**8,242**	**10,101**

15. Investments

	Market Value 31 March 2012 £000s	Market Value 31 March 2013 £000s
Investment assets		
Fixed Interest Securities	112,838	119,061
Equities	621,289	744,493
Pooled Investments	949,662	1,109,477
Pooled property investments	274,311	276,139
Private equity Partnerships	169,839	181,608
Property	395	454
Derivatives – futures	1	0
Derivatives - forward currency	2,461	1,537
Cash deposits	42,908	40,376
Amounts receivable for sales	2,944	2,364
Total investment assets	**2,176,648**	**2,475,509**
Investment liabilities		
Derivatives – futures	(104)	(1,640)
Derivatives - forward currency	(756)	(7,165)
Amounts payable for purchases	(7,271)	(8,675)
Total investment liabilities	**(8,131)**	**(17,480)**
Net investment assets	**2,168,517**	**2,458,029**

15 (a) Reconciliation of Movements in Investments and Derivatives 2012-13

	Market value 31 March 2012 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2013 £000s
Fixed interest securities	**112,838**	5,957	(3,109)	3,375	**119,061**
Equities	**621,289**	192,417	(175,986)	106,773	**744,493**
Pooled investments	**949,662**	55,402	(25,786)	130,199	**1,109,477**
Pooled property investments	**274,311**	44,047	(25,095)	(17,124)	**276,139**
Private equity	**169,839**	21,276	(15,849)	6,342	**181,608**
Property	**395**	0	0	59	**454**
	2,128,334	**319,099**	**(245,825)**	**229,624**	**2,431,232**
Derivative contracts:					
- Futures	**(103)**	3,855	(1,411)	(3,981)	**(1,640)**
- Forward currency contracts	**1,705**	67,098	(62,543)	(11,888)	**(5,628)**
	1,602	**70,953**	**(63,954)**	**(15,869)**	**(7,268)**
Other investment balances:					
- Cash deposits	**42,908**			18,924	**40,376**
- Amount receivable for sales of investments	**2,944**				**2,364**
- Amount payable for purchases of investments	**(7,271)**				**(8,675)**
Net investment assets	**2,168,517**			**232,679**	**2,458,029**

15 (a) Reconciliation of Movements in Investments and Derivatives 2011-12

	Market value 31 March 2011 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2012 £000s
Fixed interest securities	**151,111**	70,280	(116,126)	7,573	**112,838**
Equities	**505,032**	610,584	(474,059)	(20,268)	**621,289**
Pooled investments	**1,020,080**	141,064	(216,659)	5,177	**949,662**
Pooled property investments	**243,937**	50,429	(18,598)	(1,457)	**274,311**
Private equity Partnerships	**156,272**	24,262	(11,269)	574	**169,839**
Property	**395**	0	0	0	**395**
	2,076,827	**896,619**	**(836,711)**	**(8,401)**	**2,128,334**
Derivative contracts:					
- Futures	**(1,543)**	14,308	(4)	(12,864)	**(103)**
- Forward currency contracts	**(1,768)**	32,513	(36,377)	7,337	**1,705**
	(3,311)	**46,821**	**(36,381)**	**(5,527)**	**1,602**
Other investment balances:					
- Cash deposits	**49,597**			3,854	**42,908**
- Amount receivable for sales of investments	**992**				**2,944**
- Amount payable for purchases of investments	**(4,622)**				**(7,271)**
Net investment assets	**2,119,483**			**(10,074)**	**2,168,517**

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Transaction costs incurred during 2012 -13	£567,000
Transaction costs incurred during 2011 -12	£879,000

15 (b) Analysis of Investments (excluding derivative contracts)

	2011-12 £000s	2012-13 £000s
Fixed Interest Securities		
UK		
Corporate quoted	65,448	68,911
Overseas		
Public sector quoted	515	478
Corporate quoted	46,875	49,672
	112,838	**119,061**
Equities		
UK		
Quoted	224,546	271,034
Overseas		
Quoted	396,743	473,459
	621,289	**744,493**
Pooled Funds – additional analysis		
Unit trusts	696,983	818,775
Unitised insurance policies	191,138	223,383
Other managed funds	61,541	67,319
	949,662	**1,109,477**
Pooled property investments	274,311	276,139
Private equity	169,839	181,608
Direct Property	395	454
	444,545	**458,201**
	2,128,334	**2,431,232**

15 (b) Analysis of Derivatives

Objectives and policies for holding derivatives

The holdings in derivatives are to hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreements between the fund and the investment managers holding mandates that permit the use of these instruments.

a) Futures

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

The fund has authorised the use of futures by Henderson and M&G to assist in meeting the investment objectives that they have been set. Specifically in the M&G portfolio futures are used to hedge the risk of a future rise in gilt yields and its impact on the portfolio. Henderson did not hold any futures contracts in its portfolio at 31 March 2013 (2012 nil).

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment opportunities, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a currency hedging programme in place.

At the start of the year, the currency hedge activity in respect of quoted overseas equities was undertaken on a passive basis by the Custodian. The passive hedge ratio was 60% of the US Dollar, Euro and Yen exposure within the portfolios managed by Capital International, Fidelity, Sarasin and Wellington.

During the year the passive arrangement was replaced by a dynamic hedging programme managed by Pareto and Berenberg Bank. Both managers have retained a benchmark hedge of 60% of the US Dollar, Euro and Yen exposure within the portfolios managed by Capital International, Fidelity, Sarasin and Wellington. However, the dynamic hedge approach allows them to actively move the hedge ratio between 0% and 100% of the underlying currency exposure.

The Fund also requires Aviva to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex-UK) property funds. This hedging activity covers US Dollar, Euro, Yen and Australian Dollar exposures. Similarly M&G are required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest portfolio.

In addition to these mandate positions short term contracts may also arise in portfolios investing in non-Sterling denominated assets as a consequence of the need to settle transactions in foreign currencies. These tend to be shorter term contracts than those undertaken for other purposes but settlement may span the balance sheet date.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000s	Market Value 31 March 2011 £000s	Economic Exposure £000s	Market Value 31 March 2012 £000s
Assets					
UK fixed interest	Less than 1 year	(9,921)	1	0	0
Total assets			**1**		**0**
Liabilities					
UK fixed interest	Less than 1 year	(96,106)	(104)	(95,344)	(1,640)
Total liabilities			**(104)**		**(1,640)**
Net futures			**(103)**		**(1,640)**

Included within cash balances is £3,100,000 (2012 £1,622,000) in respect of initial and variation margins arising on open futures contacts at the year end.

Open forward currency contracts

Settlement	Currency bought	Local value 000s	Currency sold	Local value 000s	Asset value £000s	Liability value £000s
Up to one month	£	9,086	AUD	(13,809)	0	(381)
Up to one month	£	15	CAD	(24)	0	0
Up to one month	£	27	DKK	(241)	0	0
Up to one month	£	117,330	EUR	(138,278)	363	0
Up to one month	£	107,104	JPY	(15,357,971)	0	(499)
Up to one month	£	282,046	$	(436,331)	0	(5,340)
Up to one month	£	1	ZAR	(15)	0	0
Up to one month	EUR	67,562	£	(58,094)	0	(944)
Up to one month	EUR	1,772	$	(2,271)	3	0
Up to one month	HKD	322	£	(-27)	0	0
Up to one month	JPY	942,262	£	(6,573)	29	0
Up to one month	$	207,395	£	(135,459)	1,141	0
Up to one month	$	5	JPY	(476)	0	0
Open forward currency contacts at 31 March 2013					**1,536**	**(7,164)**
Net forward currency contracts at 31 March 2013						**(5,628)**
Prior year						
Open forward currency contacts at 31 March 2012					**2,461**	**(756)**
Net forward currency contracts at 31 March 2012						**1,705**

Contracts with a common underlying currency profile and similar maturity profile have been amalgamated for the purpose of disclosure. A key to the currencies referred to in the table is provided below:

Symbol / Acronym	Currency
£	British pounds (Sterling)
$	United States dollar
AUD	Australian dollar
CAD	Canadian dollar
DKK	Danish krone

EUR	Euro
HKD	Hong Kong dollar
JPY	Japanese yen
SGD	Singapore dollar
ZAR	South African Rand

15 (b) Investments Analysed by Fund Manager

	Market Value 31 March 2012		Market Value 31 March 2013	
	£000s	%	£000s	%
Fidelity	389,758	17.97	466,168	18.97
Aviva Investors	277,326	12.79	283,769	11.54
Capital International Ltd	223,672	10.31	267,647	10.89
Baillie Gifford & Co	209,673	9.67	247,561	10.07
Henderson Global Investors	216,635	9.99	231,495	9.42
Legal & General Investment Management	191,138	8.81	223,383	9.09
Sarasin & Partners	124,601	5.75	153,235	6.23
Wellington International	126,646	5.84	147,796	6.01
Goldman Sachs Asset Management	108,772	5.02	131,285	5.34
M&G	116,559	5.38	122,288	4.98
SL Capital Partners	94,173	4.34	97,003	3.95
HarbourVest Partners	75,665	3.50	84,605	3.44
Northern Trust*	13,899*	0.63	6,732	0.27
Berenberg Bank (Implemented January 2013)*	0	0.00	702	0.03
Pareto (Implemented October 2012)*	0	0.00	-5,640	-0.23
	2,168,517	100.0	2,458,029	100.00

All the above companies are registered in the United Kingdom.

* The assets held by Northern Trust represent cash held in money market funds primarily to meet the cash flow requirements of the Funds private equity programme and monies held for property investment. At 31st March 2012 the value included the forward currency contracts held in respect of the passive currency hedging programme. At 31st March 2013 the custodian no longer undertook this activity and currency hedging contracts in respect of the Funds overseas equity holdings are reported in the Pareto and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable.

15 (b) Investments representing more than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2012	Percentage of Total Fund	Market Value 31 March 2013	Percentage of Total Fund
	£000s	%	£000s	%
Legal & General UK Equity Index Fund	191,138	8.7	223,383	9.0
Fidelity Institutional Exempt America Fund	137,363	6.3	158,068	6.4
Goldman Sachs Strategic Absolute Return (STAR) Bond Fund	108,772	4.9	131,285	5.3
Fidelity Institutional Europe Fund	109,803	5.0	126,775	5.1

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Four pooled holdings do represent over 5% of the total value of the net assets of the scheme.

Each holding is a pooled investment vehicle. The underlying holdings of the America Fund comprised 268 stocks at 31 March 2013 (2012 239). The Europe Fund comprised 67 holdings at the same date (2012 68). The Goldman Sachs STAR Fund held 1,121 (2012 825) individual positions at 31 March 2013. At 31 March 2013 the UK Equity

Index Fund held 597 (2012 614) stocks compared with the 598 (2012 614) stocks in the equity index that it tracks (FTSE all-share).

The Legal & General investment is a unit linked contract of long term insurance ("the policy") issued by Legal & General Assurance (Pensions Management) Limited ("PMC"), to which units are allocated in the range of pooled investment funds operated as portfolios of assets ("PF Sections). The policy falls within Class II of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a "with profits" contract. The value of the units in a PF Section are directly linked to the assets legally and beneficially owned by PMC and held in that PF section and units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at PMC's discretion, by a transfer of assets in specie). The value is incorporated into the net asset statement within other managed funds. The underlying assets are predominantly quoted UK equities but may also include uninvested cash and futures.

Within the Reconciliation of the Movements in Investments, the following investments represented more than 5% of the asset class or type at 31 March 2013:

Holding/Investment Type	Market Value 31 March 2013 £000s	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	223,383	20.13
Fidelity Institutional Exempt America Fund	158,068	14.25
Goldman Sachs Strategic Absolute Return Bond Fund	131,285	11.83
Fidelity Institutional Europe Fund	126,775	11.43
Henderson Long Dated Credit Fund	102,258	9.22
Fidelity Institutional Japan Fund	83,875	7.56
Pooled property investments		
Threadneedle Property Unit Trust	21,682	7.85
Standard Life Pooled Property Fund	21,450	7.77
Aviva Investors Pensions Property Fund	20,809	7.54
Blackrock UK Property Fund	19,030	6.89
Standard Life UK Retail ParkTrust	16,938	6.13
Industrial Property Investment Fund	15,790	5.72
Lothbury Property Trust	15,262	5.53
Private equity		
Standard Life European Strategic Partners 2004	48,967	26.96
Harbourvest VIII Cayman Buyout Fund	43,908	24.18
Standard Life European Strategic Partners 2006	34,595	19.05
Harbourvest VIII Cayman Venture Fund	23,543	12.96
Standard Life European Strategic Partners 2008	13,441	7.40
Harbourvest VII 2005 Cayman Buyout Fund	12,439	6.85
Direct Property		
Hamlin Way, King's Lynn	454	100.00
Derivatives - Futures		
June 2012 Long GILT Future	(865)	52.74
June 2012 Medium GILT Future	(764)	46.56

15 (c) Stock Lending

	31 March 2012 £000s	31 March 2013 £000s
Value of quoted equities on loan	71,885	53,605
Fair value of collateral held by Custodian	76,442	58,168
Collateral relative to stock on loan (percentage coverage)	106%	109%

Stock Lending is a programme of lending eligible securities, such as domestic and overseas equities, corporate bonds, and sovereign government securities, from the portfolios of participating clients to approved borrowers, in return for a fee. The Fund's stock lending programme is managed by the Global Custodian (Northern Trust).

All loans are fully collateralised with government securities, bank letters of credit, certificates of deposit or UK equities settled in CREST. Northern Trust provides certain additional indemnifications as part of the lending agreement with them, to protect the Fund in the event of a borrower default coupled with a collateral shortfall relative to the defaulting position.

The maximum value of stock that may be on loan is £150m and an individual borrower limit (applied at the parent borrower level) of £25m is applied.

The following table provides an analysis of the securities on loan at 31 March:

Asset Type	**Value on loan at 31 March 2012 £000s**	**Value on loan at 31 March 2013 £000s**
UK Equities	34,815	21,667
Overseas Equities	18,506	22,559
Corporate Bonds	18,564	9,379

At 31 March 2013, securities were on loan to 13 separate borrowers representing 11 parent groups. The largest single parent exposure was 32% of the lending programme.

15 (d) Property Holdings

	Year ending 31 March 2012	**Year ending 31 March 2013**
	£000s	**£000s**
Opening Balance	395	395
Additions	0	0
Disposals	0	0
Net increase in market value	0	59
Other changes in fair value	0	0
Closing balance	**395**	**454**

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the fund is not under any contractual obligations to purchase, construct or develop the property. Nor does it have any responsibility for any repairs, maintenance or enhancements.

16. Financial Instruments

16 (a) Classification

	31 March 2012			31 March 2013		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000s	£000s	£000s	£000s	£000s	£000s
Financial assets						
Fixed Interest Securities	112,838			119,061		
Equities	621,289			744,493		
Pooled Investments	949,662			1,109,477		
Pooled Property	274,311			276,139		
Private equity	169,839			181,608		
Derivative contracts	2,462			1,537		
Cash		48,436			44,837	
Other investment balances	9,197			9,354		
Debtors		46			145	
	2,139,598	**48,482**	**0**	**2,441,669**	**44,982**	**0**
Financial liabilities						
Derivative contracts	(860)			(8,805)		
Creditors			(3,125)			(3,956)
Other investment balances	(7,271)			(8,675)		
	(8,131)	**0**	**(3,125)**	**(17,480)**	**0**	**(3,956)**
	2,131,467	**48,482**	**(3,125)**	**2,424,189**	**44,982**	**(3,956)**

16 (b) Net gains and losses on Financial Instruments

	31 March 12 £000s	31 March 13 £000s
Financial assets		
Fair value through profit and loss	34,296	310,738
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial liabilities		
Fair value through profit and loss	(44,370)	(78,118)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	**(10,074)**	**232,620**
Reconciliation of Change in market value during the year shown at note 15(a)		
Assets that are not Financial Instruments - Directly Held Property change in Market Value	**0**	**59**
	(10,074)	**232,679**

16 (c) Fair Value of Financial Instruments and Liabilities

In accordance with our accounting policies, financial assets and liabilities are included in the accounts on a fair value basis. The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16 (d) Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2013	**Quoted market price Level 1 £000s**	**Using observable inputs Level 2 £000s**	**With significant unobservable inputs Level 3 £000s**	**Total £000s**
Financial assets				
Financial assets at fair value through profit and loss	1,983,922	0	457,747	2,441,669
Loans and receivables	44,982	0	0	44,982
Total financial assets	**2,028,904**	**0**	**457,747**	**2,486,651**
Financial liabilities				
Fair value through profit and loss	(17,480)	0	0	(17,480)
Financial liabilities at amortised cost	(3,956)	0	0	(3,956)
Total financial liabilities	**(21,436)**	**0**	**0**	**(21,436)**
Net financial assets	**2,007,468**	**0**	**457,747**	**2,465,215**

Values at 31 March 2012	**Quoted market price Level 1 £000s**	**Using observable inputs Level 2 £000s**	**With significant unobservable inputs Level 3 £000s**	**Total £000s**
Financial assets				
Financial assets at fair value through profit and loss	1,695,448	0	444,150	2,139,598
Loans and receivables	48,482	0	0	48,482
Total financial assets	**1,743,930**	**0**	**444,150**	**2,188,080**
Financial liabilities				
Fair value through profit and loss	(8,131)	0	0	(8,131)

Values at 31 March 2012	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial liabilities at amortised cost	(3,125)	0	0	(3,125)
Total financial liabilities	**(11,256)**	**0**	**0**	**(11,256)**
Net financial assets	**1,732,674**	**0**	**444,150**	**2,176,824**

17. Nature and Extent of Risks Arising From Financial Instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. As there is an essential contradiction in these two aims the investment strategy aims to achieve an acceptable overall balance between "risk and reward". The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management and investments strategies rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objectives of the fund's risk management strategy are to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return at a given level of risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investment presents a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited but restrictions are in place on managers undertaking this activity.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Funds performance monitoring advisor, the Fund has determined that the following movements in market price risk are reasonably possible for the 2013-14 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Bonds including pooled	6.20
Overseas Bonds including pooled	4.38
UK Equities including pooled	13.09
Overseas Equities including pooled	12.96
Index Linked Gilts including pooled	8.28
Property Investments (pooled and direct)	2.72
Private Equity	9.24
Cash and Cash Equivalents (Including Payables and Receivables)	0.02
Total	**7.66***

* The total % includes the impact of correlation across asset classes at an aggregate level.

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the funds investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is also shown below):

Asset Type	Value as at 31 March 2013 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	28,437	0.02	28,443	28,432
Investment Portfolio Assets:				
UK Equities including pooled	508,247	13.09	574,776	441,717
Overseas Equities including pooled	982,978	12.96	1,110,372	855,584
UK Bonds including pooled	113,818	6.20	120,874	106,761
Overseas Bonds including pooled	318,221	4.38	332,159	304,283
Index Linked Gilts including pooled	48,128	8.28	52,113	44,143
Pooled & Direct Property Investments	276,592	2.72	284,116	269,069
Private Equity Partnerships	181,608	9.24	198,389	164,827
Total Assets Available to Pay Benefits	**2,458,029**	**7.66%**	**2,646,314***	**2,269,744***

Asset Type	Value as at 31 March 2012 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	40,286	0.0	40,286	40,286
Investment Portfolio Assets:				
UK Equities including pooled	427,924	14.8	491,085	364,762
Overseas Equities including pooled	817,631	15.2	941,912	693,352
UK Bonds including pooled	109,016	7.5	117,214	100,818
Overseas Bonds including pooled	286,547	6.1	304,141	268,953
Index Linked Gilts including pooled	42,568	7.7	45,863	39,273
Pooled & Direct Property Investments	274,706	5.8	290,501	258,910
Private Equity Partnerships	169,839	10.4	187,485	152,192
Total Assets Available to Pay Benefits	**2,168,517**		**2,418,487**	**1,918,546**

* The % change for Total Assets includes the impact of correlation across asset classes, which lowers the total increase and increases the total decrease at an aggregate level.

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements through its gross cash holdings as at 31 March 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2012 £000s	Value as at 31 March 2013 £000s
Investment Cash Balances	42,908	40,376
Cash in hand	5,528	4,461
Total	48,436	44,837

Interest Rate Risk Sensitivity Analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied by the Administering Authority when considering risk in its own treasury management activities.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates:

Asset Type	Carrying Amount as at 31 March 2013 £000s	Change in year in the net assets available to pay benefits +100 BPS £000s	-100 BPS £000s
Investment Cash Balances	40,376	404	(404)
Cash in hand	4,461	45	(45)
	44,837	**449**	**(449)**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (Sterling). The fund holds both monetary and non-monetary assets denominated in currencies other than Sterling and Sterling denominated pooled investment vehicles where the underlying assets are denominated in other currencies. As detailed in note 15b the Fund has various hedging strategies in place to reduce the impact of currency volatility on the Fund assets. The table below is prepared after consideration of the hedging strategies in place.

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the funds performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 2.31% in respect of non-sterling assets including those partially hedged to Sterling but excluding those where full hedging is in place (see note 15b).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 2.31% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows (values shown are for non-Sterling denominated assets were full hedging of currency risk is not in place):

Currency Exposure – Asset Type	Asset Value as at 31 March 2013 £000s	Change to net assets available to pay benefits +2.31% £000s	-2.31% £000s
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	982,167	22,688	(22,688)
Private Equity	171,608	4,195	(4,195)
Change in net assets available to pay benefits		**26,883**	**(26,883)**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria.   Money market funds that are used all have AAA rating from a leading ratings agency.

The non-investment cash holding was managed through the treasury management arrangements of the Administering Authority:

The credit exposure was as follows:

Summary	Short term Rating (S&P)	Balances at 31 March 2012 £000s	Balances at 31 March 2013 £000s
Debt Management Office	No short term rating but long term AAA	3,417	
Bank Deposit Accounts			
Barclays Bank PLC	A-1		2,127
Lloyds TSB	A-1		2,127
Santander	A-1	1,226	
Natwest	A-1	701	
Bank Current Accounts			
Co-op Bank	Not rated by S&P – Fitch F2	326	50
Total		5,670	4,304

The majority of investment cash within the custody system (Northern Trust) is swept overnight to the AAA rated constant NAV money market funds of the custodian and one other provider (Deutsche). The credit exposure on investment cash balances at 31 March 2013 comprise £36.4 million (£40.7 million) deposited with AAA rated money market funds, £0.9 million (£0.6 million) deposited direct with the custodian Northern Trust (rated A-1), £3.1 million (£1.6 million) posted to a variation margin account held by Barclays Bank (rated A-1).

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The council has immediate access to its pension fund cash holdings, there were no deposits with fixed periods at 31 March 2013 (2012 nil).

Liquid Assets

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. The Fund classifies property (pooled and direct) and private equity partnerships in this category.

Balances at 31 March 2012 £000s	Percentage of Total Fund Assets %	Balances at 31 March 2013 £000s	Percentage of Total Fund Assets %
444,545	20.1	458,201	18.6

The Fund regularly monitors and forecasts future cash flow to understand and manage the timing of the fund's cash flow obligations.

All financial liabilities at 31 March 2013 are due within one year.

Refinancing Risk

The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury and investment strategies.

18. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. The valuation at 31 March 2013 is underway.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet the expected future pension benefits payable. When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	Funded %	Deficit £ millions
2010 actuarial valuation	80%	486
2007 actuarial valuation	93%	150

The common contribution rate is 22.4% of payroll (2007 17.2%). The employer contribution rates payable (plus cash sums as applicable) arising from the 2010 Valuation are as follows:

Year	Employers Contribution Rates (% of pensionable payroll)
1 April 2011 to 31 March 2012	Range from 8.0 to 25.0
1 April 2012 to 31 March 2013	Range from 8.0 to 25.0
1 April 2013 to 31 March 2014	Range from 13.0 to 25.0

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2010 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

The principal assumptions were:

Financial Assumptions at 31 March 2010

Investment Return (discount rate)	% per annum Nominal	% per annum Real
Discount Rate	6.1%	2.8%

Salary Increases*	5.3%	2.0%
Price Inflation/Pension Increases	3.3%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% per annum for 2010-11, 2011-12 and 2012-13 reverting to 5.3% per annum thereafter.

Mortality Assumptions

The Fund is member of Club Vita which provides bespoke set of longevity assumptions specifically tailored to the membership profile of the Fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a 1% per annum underpin effective from 2007. These assumptions are used to calculate average future life expectancies at age 65 as follows:

Mortality assumption at age 65	**Male**	**Female**
Current Pensioners	21.2 years	23.4 years
Future Pensioners (current age 45)	23.6 years	25.8 years

Commutation Assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

19. Actuarial Present Value of Promised Retirement Benefits

Under IAS26 the Fund is required to disclose the actuarial present value of promised retirement benefits. These represent the present value of the whole fund liabilities to pay future retirement benefits.

The required valuation is carried out by the Hymans Robertson LLP using a similar approach to that employed for individual participating employers reporting pension liabilities under either FRS17 or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

Under the IAS 19/FRS17 basis reporting is produced using the same base data as the last completed funding valuation rolled forward to the latest reporting date, taking account of material changes in membership numbers and updating assumptions to the current year and requirements of the reporting approach.

In order to assess the value of the benefits on this basis, the Fund Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18).

	31 March 2012 £000s	**31 March 2013 £000s**
Actuarial present value of promised retirement benefits	2, 985,000	3,563,000

The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Assumptions Used	**%**
Inflation/Pension Increase Rate Assumption	2.8
Salary Increase Rate	5.1*
Discount Rate	4.5

* Salary increases are assumed to be 1% per annum nominal for the three years to 31 March 2015 reverting to the long term rate thereafter.

20. Current Assets

	31 March 2012 £000s	31 March 2013 £000s
Cash In Hand		
Cash In Hand	**5,528**	**4,461**
Debtors:		
Contributions due - employees*	2,234	2,097
Contributions due - employers*	6,013	6,462
Employers special contributions	1,404	24
Augmentation & strain due	1,642	1,104
Dividends receivable	5,195	5,772
Pooled funds rebate due	1,031	1,190
UK tax receivable	94	225
Overseas tax receivable	584	662
VAT refund due	198	216
Interest due	13	15
Stock lending/commission recapture	14	13
Recharge of fees**	28	130
Prepayments	53	3
Sundry**	18	15
Debtors	**18,521**	**17,928**
Current Assets	**24,049**	**22,389**

* Principally represents amounts due in respect of March payrolls but payable the following month

** Debtors classed as financial assets note 16a

	31 March 2012 £000s	31 March 2013 £000s
Long term debtors:		
Employers contributions	9,550	8,742
Augmentation & strain due	7	6
	9,557	**8,748**

Long term debtors comprises of amounts not due to be paid to the Fund for a period of more than 12 months from the balance sheet date.

Analysis of Debtors

	31 March 2012 £000s	31 March 2013 £000s
Central government bodies	11,834	9,608
Other local authorities	6,086	6,597
Other entities and individuals	10,158	10,471
	28,078	**26,676**

21. Current Liabilities

	31 March 2012 £000s	31 March 2013 £000s
Creditors:		
Transfer values payable (leavers)	46	28
Benefits payable	542	1,104
Investment Management Fees**	1,392	2,149
Other Fees & Charges**	1,729	1,804
UK Taxation payable	799	863
Sundry creditors**	4	3
	4,512	**5,951**

** Creditors classed as financial liabilities note 16a

Analysis of Creditors

	31 March 2012 £000s	31 March 2013 £000s
Central government bodies	803	865
Other local authorities	1,664	1,721
Other entities and individuals	2,045	3,365
	4,512	**5,951**

22. Additional Voluntary Contributions

The fund has three in-house AVC providers; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors). The value of AVC investments and contributions paid directly to the providers by scheme employers during the year is shown below.

	Market Value 31 March 2012 £000s	Market Value 31 March 2013 £000s
Separately Invested AVC Funds	4,856	4,874

	2011-12 £000s	2012-13 £000s
AVC contributions paid directly during the year	318	311

23. Related Party Transactions

Norfolk County Council

The Fund is administered by Norfolk County Council. Consequently there is a close relationship between the council and the Fund.

The council incurred costs in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members in the pension fund.

	2011-12 £000s	2012-13 £000s
Norfolk County Council incurred administration and investment costs reimbursed by the fund	1,663	1,721
Norfolk County Council Employer Contributions	36,564	36,388

All monies owing to and due from the fund were paid within statutory timescales.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Norfolk County Council. The arrangement is managed through a service level agreement.

	2011-12 £000s	2012-13 £000s
Average investment balance held by NCC Treasury Management Operation	9,238	7,692
Interest earned on balances invested by NCC Treasury Management Operation	73	67

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. These are recorded as part of the public record of each meeting.

Personnel Employed in the Delivery of the Pensions Function by the Administering Authority

All employees of Norfolk County Council (other than those whose profession grants them access to other public service schemes) may join the Local Government Pension Scheme. This includes personnel employed in delivering the pensions function through the Norfolk Pension Fund. Benefits are accrued and employee contributions calculated on a standard national, statutory basis.

Disclosure of senior officer remuneration is made in note 36 of the Statement of Accounts of the Administering Authority (Norfolk County Council). This disclosure includes the Head of Finance who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and holds the role of Fund Administrator.

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2012 £000s	31 March 2013 £000s
Private equity partnerships	88,836	79,919
Property investment vehicles	10,373	8,058

At 31 March 2013 the Fund had made contractual commitments to private equity funds managed by SL Capital and HarbourVest Partners. Commitments are made in the underlying currency of the fund (Euros and Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will

impact both on the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

The Fund's private equity programme is still relatively immature. The commitments are paid over the investment timeframe of the underlying partnerships. Concurrently as these partnerships mature they distribute capital back to investors.

The current value of the funded commitment net of distributions in these funds at 31March 2013 is included in the net asset statement.

In addition to the private equity commitments, within the Aviva property portfolio there are unfunded commitments to various property investment vehicles. This total includes Sterling, Euro and US Dollar denominated commitments to three (six in 2011-12) underlying funds. The foreign exchange exposure on the funded portion of these positions is hedged within the Aviva portfolio but the unfunded commitments are impacted by exchange rate volatility.

25. Contingent Assets

The Administering Authority holds charges on property and rights over sums held in escrow, relating to funding agreements put in place with three employers following the 2010 Valuation. These agreements allowed the employers to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. In the event that the employers that are party to these agreements fail to pay contributions due to the Fund at any point in the future these charges may be invoked. The total on the escrow account at 31 March 2013 is nil (£17,000 at 31 March 2012). The total charges on two properties at 31 March 2013 were £2.233 million (£2.232 million in 2011-12).

26. Statement of Investment Principles and Funding Strategy Statement

The Norfolk Pension Fund has a published Statement of Investment Principles including details of our compliance with recognised good investment practices and a Funding Strategy Statement which is a summary of the Funds' approach to funding liabilities.

Both documents can be found on the Internet at the following location:

http://www.norfolkpensionfund.org/AboutUs/Pages/Formsandpublications.aspx

Alternatively a copy can be obtained from the Norfolk Pension Fund:

Norfolk Pension Fund
Floor 4 Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

Telephone: 01603 222995

Participating Employers (employers with active members during the year)

Major Scheduled & Resolution Bodies

Borough Council of King's Lynn & West Norfolk
Breckland Council
Broadland District Council
Great Yarmouth Borough Council
Norfolk and Suffolk Probation Trust
Norfolk County Council
Norfolk Police Authority
North Norfolk District Council
Norwich City Council
NPS Property Consultants Ltd
South Norfolk District Council

Scheduled & Resolution Bodies

Acle Academy
Acle Parish Council
Admirals
Attleborough Town Council
Aylmerton Parish Council
Aylsham Town Council
Beighton Parish Council
Belton with Browston Parish Council
Bradwell Parish Council
Broads (2006) I D B
Broads Authority
Brundall Parish Council
Buxton With Lamas Parish Council
Cawston Parish Council
City Academy Norwich
City College Norwich
College of West Anglia
Costessey Junior School
Costessey Parish Council
Cringleford Parish Council
Cromer Academy Trust
Cromer Town Council
Dereham Town Council
Dersingham Parish Council
Diamond Academy
Diss High School Academy
Diss Town Council
Downham & Stow Bardolph I D B
Downham Market Town Council
East Norfolk Sixth Form College
East of Ouse, Polver & Nar I D B
Eastern Inshore Fisheries and Conservation Authority
Easton and Ottley College
Eaton Hall Specialist Academy
Fakenham Town Council
Flegg High School
Framingham Earl Parish Council
Great Yarmouth College of F. E.
Great Yarmouth Primary Academy
GYB Services Ltd
Hales & Heckingham Parish Council
Hellesdon High School Academy
Hellesdon Parish Council
Hindolveston Parish Council
Hobart High School Academy
Holt Town Council
Hunstanton Town Council
Iceni Academy
Kettlestone Parish Council
King’s Lynn Academy
King’s Lynn I D B (KLIDB & WMA)
Little Snoring Parish Council
Loddon Parish Council
Lynn Grove High School Academy

Martham Parish Council
Martham School Trust
Mattishall Parish Council
Mundesley Parish Council
NCS (Assistive Technology)
NCS Transport Ltd
Norfolk Educational Services (NES)
Norfolk Rivers I D B
Norse Care Limited
Norse Care Services
Norse Commercial Services
Norse Eastern
North Walsham Town Council
Northrepps Parish Council
Norwich Norse
Norwich University College of the Arts
Notre Dame High School Academy
NPS (London) Ltd
NPS (Norwich) Ltd
NPS (South East) Ltd
NPS (South West) Ltd
Old Catton Parish Council
Open Academy – Heartsease
Ormiston Venture Academy
Ormiston Victory Academy
Paston College
Poringland Parish Council
Redenhall with Harleston Town Council
Reepham high School and College
Saxlingham Nethergate Parish Council
Sheringham High School Academy
Southery & District I D B
South Wootton Parish Council
Spixworth Parish Council
Springwood High School Academy Trust
Sprowston Town Council
St Mary's C of E Junior School Academy
Suffolk Coastal Services
Swaffham Town Council
Swanton Morley Parish Council
Taverham Parish Council
The Free School Norwich
The Nicholas Hamond Academy
Thetford Academy
Thetford Town Council
Thorpe St. Andrew Town Council
Trowse with Newton Parish Council
Upton with Fishley P C
Wayland High School Academy
Wells-Next-The-Sea Town Council
Winterton-on-Sea Parish Council
Wymondham College Academy
Wymondham High School Academy
Wymondham Town Council

Admitted Bodies

4Children
Action for Children (Dereham)
Action for Children (Hethersett)
Action for Children (Thorpe)
Action for Children (Wells)
Age UK Norfolk
Anglia Maintenance Services
Biffa Municipal Ltd
Childhood First
Circle Anglia Limited
Circle Care and Support
Dereham, Watton & Holt CAB
Edwards and Blake
Great Yarmouth Port Company
Great Yarmouth Racecourse Ltd
Great Yarmouth Sport & Leisure Trust
Kier Support Services
May Gurney Limited
New Anglia Enterprise Council Partnership (LEP)
Norfolk Association of Local Councils
Norfolk Community Alcohol Services (NORCAS)
Norfolk Heritage Fleet Trust
Norwich Airport Limited
Ormiston Children and Families Trust
RM Education
Saffron Housing Trust Limited

Flagship Housing Group
Freebridge Community Housing Ltd
Greta Yarmouth Community Trust
Great Yarmouth Port Authority
Serco Government Services
Stonham
Victory Housing Trust

Glossary of Terms

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

AMORTISATION

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

AMORTISED COST

This is cost that has been adjusted for amortisation.

AREA BASED GRANT (ABG)

This is a non-ringfenced general grant, with no conditions imposed as to how it may be used, paid by Central Government to County Councils and District Councils.

ASSET

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

ASSOCIATED COMPANIES

An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Local authorities are allowed to borrow to invest in capital works and assets so long as the cost of that borrowing is affordable and prudent. The Council borrows in the long term to finance capital expenditure an din the short term to smooth daily cash flow requirements. The principal source of borrowings in excess of one year (i.e. classified as long term borrowing) is the Public Works Loan Board.

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPTS

Monies received for the sale of assets, some of which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by the Central Government.

CASH EQUIVALENTS

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

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

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code)

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12: Based on International Financial Reporting Standards (the Code) aims to achieve consistent financial reporting between all English local authorities. It is based in generally accepted accounting standards and practices.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates. District Councils estimate the extent to which they will successfully collect Council Tax in their area. Any surplus or deficit is carried forward to the next financial year.

COMMUNITY ASSETS

Community assets are assets that the local authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal, e.g. Waxham Great Barn.

CONTINGENT LIABILITIES

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

CORPORATE AND DEMOCRATIC CORE (CDC)

Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

CREDITORS

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

CURRENT VALUE

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

DEBTORS

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

DEDICATED SCHOOLS GRANT (DSG)

A specific grant paid to local authorities to fund the cost of running its schools.

DEFICIT

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

DEPRECIATION

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

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

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

FINANCIAL ASSET

A right to future economic benefits.

FINANCIAL INSTRUMENT

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

FINANCIAL LIABILITY

An obligation to transfer economic benefits.

FINANCE AND OPERATING LEASE

A finance lease transfers all of the risks and rewards of ownership of a Long Term asset to the lessee. If these leases are used, the assets acquired have to be included within the Long Term assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service committee's revenue account.

IFRS

International Financial Reporting Standards

LONG TERM ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

GOVERNMENT GRANTS

Grants paid by the Government. These can be for general expenditure or a particular service or initiative, e.g. School Standards Grant

HISTORIC COST

This is the cost of an asset when originally bought.

IAS19 RETIREMENT BENEFITS

This International Accounting Standard requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet but does not impact on council tax.

IMPAIRMENT

A reduction in the value of a Long Term asset to below its carrying amount on the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

Intangible assets are non-financial Long Term assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

An International Financial Reporting Standard (IFRS) is issued by the International Accounting Standards Board. All local authorities are required to report under IFRS.

INVENTORY

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENT PROPERTIES

Assets that the Council owns but are not used in the direct delivery of services, for example the Norwich Airport Industrial Estate.

LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) assists CIPFA in setting the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

LIABILITY

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

MARKET PRICE

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

MINIMUM REVENUE PROVISION (MRP)

The minimum amount, calculated in accordance with statutory guidance, that must be charged to the Council's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Council makes a satisfactory annual provision for loan repayments.

NET BOOK VALUE

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

NATIONAL NON DOMESTIC RATES (NNDR)

The business rate in the pound is the same for all non domestic rate payers and is set annually by the Government. Income from business rates goes into a central Government pool, which is then distributed to local authorities according to resident population.

NON DISTRIBUTED COSTS

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

NON OPERATIONAL ASSETS

Non operational assets are Long Term assets held by the Council but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

OPERATIONAL ASSET

Operational assets are Long Term assets (for example, land and buildings) held by the Council that are directly occupied or used in the delivery of services.

OUTTURN

The actual amount spent in the financial year.

PENSION FUND

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

PRIVATE FINANCE INITIATIVE (PFI)

A Government initiative that enables, through the provision of financial support, authorities to carry out capital projects through partnership with the private sector.

PRECEPTS

The income which the Council requires a District Council to raise on behalf of the County Council from Council Tax.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENTIAL CODE

The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing.

The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.

RESERVES

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. County Fund (General Balances) is available to meet future revenue and capital expenditure.

REVENUE EXPENDITURE AND INCOME

The expenditure includes day to day expenses, mainly salaries and wages, general running expenses and the minimum revenue provision cost. Revenue income includes charges made for goods and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Capital expenditure, which does not create a tangible asset, e.g. improvement, grants or expenditure on an asset not owned by the County Council, e.g. leased properties. Previously referred to as Deferred Charges.

REVENUE SUPPORT GRANT (RSG)

Central Government pays Revenue Support Grant to County Councils and District Councils in respect of local authority expenditure generally.

SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper accounting practice' with regard to consistent financial reporting, which allows direct comparisons of financial information to be made with other local authorities.

SUBSIDIARY

An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)

SURPLUS

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

VALUE ADDED TAX (VAT)

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

VARIATION

The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.

Report to Audit Committee
26 September 2013
Item No: 11

Letters of Representation

Report by the Head of Finance

Summary
This report provides details of letters of representation in connection with the audit of the financial statements for 2012/13.

Recommendation
The Audit Committee is recommended to endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council, and that the Chairman of the Audit Committee and Head of Finance sign the letter attached on behalf of the Council.

Introduction

Each year the Council is required to provide letters of representation to the external auditors before the auditor issues their opinion.

Letters of Representation

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations.

The Head of Finance has, following consultation with Departmental Chief Officers, written the letters in accordance with audit requirements. One letter covers the Norfolk County Council statement of accounts and is attached as an appendix to this report. The second letter covers the Norfolk Pension Fund only and will be forwarded to this committee for approval following consideration by the Norfolk Pensions Committee.

The letters are dated 30 September 2013, which is the date Ernst and Young expects to issue its opinion.

The auditors require that the letters are signed by persons with specific responsibility for the financial statements, which for this Council is the Head of Finance, and formally acknowledged as being correct by “those charged with governance” by being signed by the Chairman of the Audit Committee in the case of the Norfolk County Council letter, and by the Chairman of the Pensions Committee in respect of the Pension Fund. Council has delegated responsibility for approving the Statement of Accounts and endorsing the letter of representation to the Audit Committee.

Recommendation

The Audit Committee is recommended to endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council, and that the Chairman of the Audit Committee and Head of Finance sign the letter attached on behalf of the Council.

If you need this statement in large print, audio, Braille, alternative format or in a different language please contact Howard Jones on tel. 01603 222832 or textphone 0844 8008011, and we will do our best to help.

IN TRAN
communication for all

Appendix – Letter of Representation

Norfolk County Council
at your service

Finance Department
County Hall
Martineau Lane
Norwich
NR1 2DW

Audit Committee
26 September 2013
Item 11 - Appendix 1

My Ref: audit letter of rep
Your Ref: .

Please ask for: Howard Jones
Direct Dialling Number: 01603 222832
Fax Number: 01603 222811
Email: howard.jones@norfolk.gov.uk

30 September 2013

Mr R Murray
Ernst and Young
One Cambridge Business Park
Cambridge
CB4 0WZ

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of Norfolk County Council (the Group and Council) for the year ended 31 March 2013. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Council financial position of Norfolk County Council as of 31 March 2013 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities under the relevant statutory authorities for the preparation of the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation consolidated and council financial statements are appropriately described in the consolidated and council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, that are free from material misstatement, whether due to fraud or error.

   There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group and Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

- Additional information that you have requested from us for the purpose of the audit and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have made available to you all minutes of the meetings of the Council, and committees held through the year to the most recent meeting on the following date: 16 September.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We have disclosed to you, and the group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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

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

C. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 48 to the consolidated and council financial statements all guarantees that we have given to third parties.

D. We confirm that the Council has no current intention to voluntarily terminate the Waste PFI contract disclosed in Note 48 and we consider that the possibility of it doing so within the foreseeable future is remote.

F. Subsequent Events

1. Other than the disposal of schools described in Note 53 to the consolidated and council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Group Audits

1. Necessary adjustments have been made to eliminate all material intra-group transactions amongst parent, subsidiary undertakings and associated undertakings.

I. Retirement Benefits

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

Yours faithfully

P.D. Brittain, Head of Finance

I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 26 September 2013

I.J. Mackie

Chairman of Norfolk County Council Audit Committee