Norfolk County Council

Audit Committee Meeting

Time: 10am

Date: Monday 29 July 2018

Venue: Conference Room, South Wing County Hall
(Note change of venue).

(Supplementary Agenda)

Contact: Julie Mortimer – 01603 223055
committees@norfolk.gov.uk

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

Date Agenda Published: 25 July 2019

To: Cllr Ian Mackie (Chairman)
Cllr Judy Oliver (Vice-Chairman)
Cllr Steffan Aquarone
Cllr Colin Foulger
Cllr Chris Jones
Cllr Haydn Thirtle
Cllr Karen Vincent

IN TRAN communication for all

If you need this document in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or (textphone) 18001 0344 800 8020 and we will do our best to help.

Norfolk County Council

Statement of Accounts

2018-19

A2

Contents

Narrative Report

a) About Norfolk County Council

Norfolk County Council is a shire county representing the whole of Norfolk. The county covers a large area of around 550,000 hectares and is home to approximately 900,000 residents. Norfolk contains several diverse economies, located within rural, urban and coastal environments. Local Government services in Norfolk are also provided by seven district/borough councils and numerous town and parish councils.

Norfolk County Council has 84 elected members each representing an electoral division of up to 10,000 voters. Every four years the people of each division elect one councillor. The most recent election took place in May 2017 and resulted in a Conservative majority.

Throughout 2018-19 the Council had a Committee structure with committees, whose membership reflected the overall political makeup of the Council and which debated, challenged and made decisions. The seven service committees were:

- Adult Social Care
- Children's Services
- Communities
- Environment, Development and Transport
- Policy and Resources
- Business and Property
- Digital Innovation and Efficiency.

In May 2019 the Council adopted a new system of governance, with an executive leader and cabinet decision-making system. As well as the Cabinet, there is a Scrutiny Committee, three select committees, and the decision-making process is supported by a number of specialist committees, panels and working groups.

The Council's operational structure is based on Executive Directors, reporting to the Head of Paid Service. The directors lead the following five departments:

- Adult Social Services
- Children's Services
- Communities and Environment Services
- Strategy and Governance Services.
- Finance and Commercial Services

During 2018-19 the Managing Director was replaced as Head of Paid Service by the Executive Director of Community and Environmental Services, who acts in both capacities.

b) Councils Performance 2018-19

The Council aims to ensure a well-educated and skilled population, support vulnerable people and to enable the creation of real jobs and improved infrastructure. This section gives examples of progress against key themes.

Infrastructure

Construction of the A1270 Norwich Northern Distributor Road – now named Broadland Northway was completed in 2018-19. Residents have benefitted from significantly reduced travel times and simpler journeys thanks to the opening of the final section in April 2018. The £205m project was developed with the backing of the Greater Norwich Growth Board authorities (Norwich City, Broadland and South Norfolk) and New Anglia LEP, with the Government contributing over £98m towards the cost. The Council is now working hard to build the "Western Link" through to the A47.

A £1.6m roundabout was opened to traffic on the A146 Hales junction which had the worst accident record for a main road in Norfolk. It was paid for by money received from the Government's new National Productivity Investment Fund and the scheme should significantly improve safety at the junction and help to reduce journey times.

One of the Council's key infrastructure priorities has taken another step forward this year with the contract being awarded for work on the final design and construction of the Great Yarmouth Third River Crossing bridge and associated works, which will significantly improve access to the port (including the outer harbour) and local businesses.

This year Norfolk become the first place in the UK to trial new mobile phone detection technology. When the relevant signal is detected indicating that a mobile phone is being used within the vehicle, the road sign is activated as the vehicle passes, giving a specific flashing visual message that will prompt a driver to stop using their phone.

In 2018-19 the Council continued to invest in Better Broadband for Norfolk. In July 2013 42% of Norfolk properties had access to Superfast broadband: the equivalent figure is now 92%. The Council has also secured £8m from the DCMS Local Full Fibre Network (LFFN) fund which will be used to upgrade more than 370 buildings such as schools, fire stations and health providers to the latest ultrafast connection speeds.

Economy

Working together with the New Anglia LEP, Suffolk County Council and the Department of International Trade the Council led a trade mission in January 2019 to the largest hospitality trade show in the Netherlands. For some of the Norfolk and Suffolk food and drink companies attending, it was their first time at an international trade show. Most gained substantial interest and business leads, with four signing with distributors during the show.

This year four farms, which make up almost 500 acres of the County's 16,900 acre farms estate, were advertised for tenancy. It is hoped that one will become a care farm enterprise, adding a third care farm to the County Farms estate, which already has two farms that use farming practices very successfully to provide therapeutic services. Through care farming, we can support vulnerable people to live their lives independently.

The Council was recognised by the Apprenticeships and Skills Minister in a House of Commons speech for being the first organisation to transfer the apprenticeships levy. This initiative meant that some of the Council's levy could be used to support 30 young people in Norfolk who have all the necessary skills and abilities to complete an apprenticeship successfully but have barriers that sometimes prevent them from achieving their full potential.

Both Scottow and the Hethel Innovation Centre, both run by Hethel Innovation Limited, a company wholly owned by Norfolk County Council, have continued to attract tenants and provide a range of spaces suitable for companies to grow their business.

Children and families

Thousands of Norfolk's children are now learning in modern new classrooms thanks to significant investment in a county wide school building programme. Since May 2017 the Council has created 4,000 new school places by building new schools and extending others – helping to ensure there are more school places, including complex needs places, for children growing up in local communities across the county.

This year the Council agreed a new Early Childhood and Family Service. This was the result of emotive discussion and difficult decisions around the changes to this service including feedback gained from more than 1,600 residents who took part in our consultation. The service will reach more isolated children and families in need of help and advice, and some services will be moved into libraries, nurseries and community centres, alongside 15 new service bases making a more efficient use of available infrastructure.

A partnership project to tackle serious violence in Norfolk by preventing the exploitation of young people by criminal gangs has been successful in securing Home Office funding which will be used to support the development of Norfolk's Multi-Agency Child Exploitation Team focused on identifying those at risk of becoming involved in County Lines activity, and putting in place intervention and support for individuals, families and the wider community.

2018-19 saw the opening of the first of 11 homes for Norfolk's care leavers, following a £5m investment. Without the new properties the young people would need to live in residential care or in placements with another provider. The new homes ensure they have the right support, are able to learn to live in communities in a supported way and reduce the overall cost to the Council.

Adult social care

Most people want to live in their own homes for as long as possible – and, increasingly, technology can make the difference. This year we opened a demonstration flat, so people can see the technology available for themselves.

The Council's multi award-winning campaign In Good Company has maintained its focus of ensuring that nobody spends a lonely day in Norfolk if they don't want to. This year the Council has commissioned £2.4m of loneliness services – including face to face and telephone support networks.

This year the Council agreed to invest £29m to deliver 3,000 extra homes for older people in Norfolk over the next ten years and in March 2019 agreed that the first of these homes - a 66-unit extra care housing development for older people to be built in Fakenham

Our work with partners to tackle domestic abuse was recognised by a national Municipal Journal award in 2018. Working together with partner agencies the Council launched a new phase of its campaign, targeting perpetrators and raising awareness of coercive control. An innovative element saw hairdressers in Norfolk being trained to recognise the signs of domestic abuse.

There are estimated to be 100,000 unpaid carers in Norfolk. These people are an enormous and largely hidden resource saving the public purse billions of pounds a year. This year the Council adopted and launched a Carers Charter: a bold, innovative and radical move designed to improve the lives of carers.

Community

The long hot summer of 2018 brought unprecedented demand on our fire and rescue service. The dry conditions led to a huge increase in fires in the open, including in hard-to-reach locations such as cliff tops and dense forests. Many of our part-time crews were called away from their main employment and worked round the clock to keep our communities safe. As well as this, Norfolk Fire & Rescue Service continued to deal with its usual day to day work of other fires, road traffic collisions and its public protection and prevention work.

Following a pilot in five libraries, Open Library was rolled out to customers at 37 Norfolk libraries, meaning that they can access services 69 hours per week: an 89% increase in availability. Entrepreneurs and small businesses benefited from a successful first year of our Business and Intellectual Property (BIPC) Centre based in Norfolk and Norwich's Millennium Library

This year the plans to transform Norwich Castle became a reality with permission being granted for the works to go ahead and £9.2m being given from the National Lottery Fund. The Gateway to Medieval England project will see the 900-year-old castle's keep re-imagined as it was in its heyday, as a palace for Norman kings.

c) **Financial Performance 2018-19**

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2018-19 was £388.799m, representing the Council's share of Council Tax receivable during the year. The net budget remained unchanged throughout 2018-19.

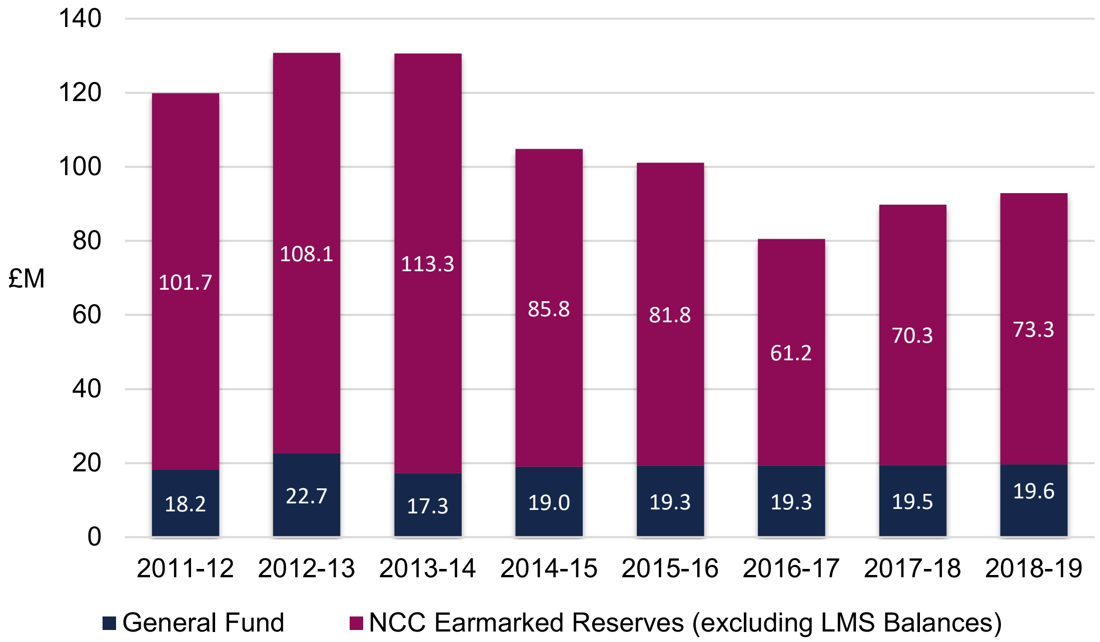
The final outturn position for the year against the revised budget is set out in the table below. At the end of the year a net underspend of £0.087m was transferred to the General Fund.

These results are based on the service responsibilities as reported to Committees/Cabinet, 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.

Service	**Revised Budget £m**	**Net (under)/ over spend £m**	**%**
Adult Social Services	254.346	(0.013)	0.0%
Children's Services	186.223	13.209	7.1%
Community and Environmental Services	167.671	(0.577)	(0.3)%
Strategy and Governance	8.295	(0.012)	(0.1)%
Finance and Commercial Services	27.836	0.000	0.0%
Finance General	(255.572)	(12.694)	5.0%
Totals	**388.799**	**(0.087)**	**0.0%**
Transfer to General Fund		0.087	

Earmarked reserves

The Council's earmarked reserves are funds, including unspent grants and contributions, set aside for specific purposes for future use by the authority. LMS balances belong to individual schools and are excluded from the graph below.



General fund

The net outturn underspend for 2018-19 was transferred into the General Fund. During 2018-19 movements on the General Fund balance were as follows.

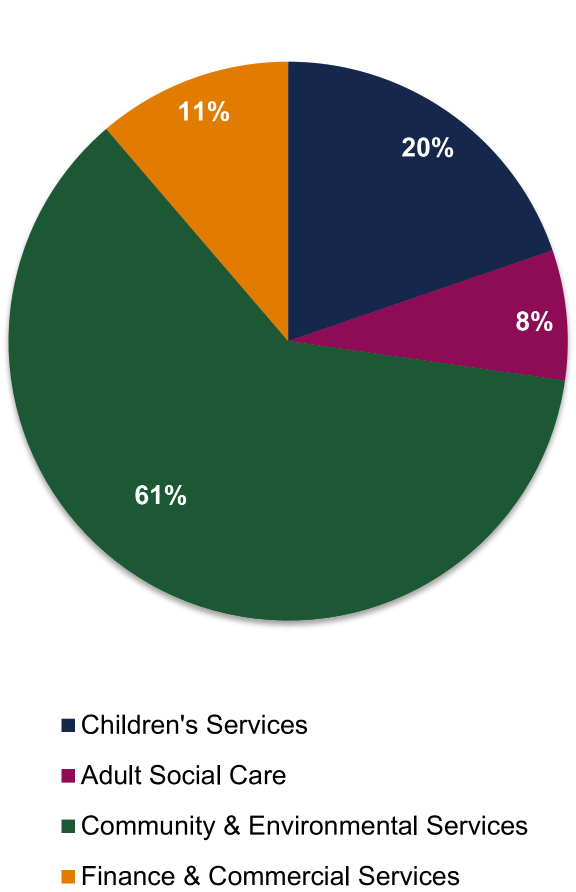
	£m
General Fund Reserve at 31 March 2018	19.536
Net underspend 2018-19	0.087
General Fund Reserve at 31 March 2019	**19.623**

Capital Budget and Spending

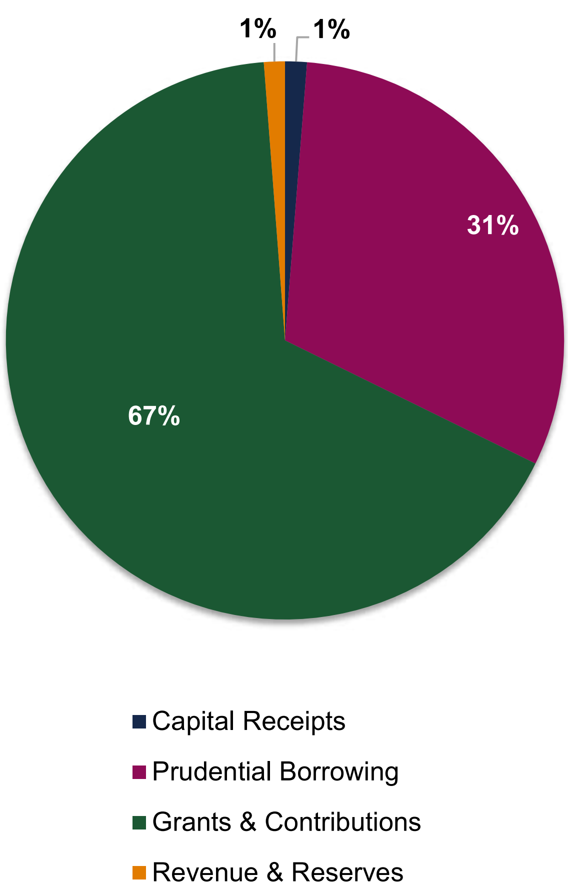
Capital expenditure, including £2m flexible use of capital receipts, totalled £158.5m in 2018-19: this was a significant decrease compared to the £225.9m spent in 2017-18 as a result of the completion of the Norwich Northern Distributor Road in April 2018.

The County Council approved a capital budget in February 2018, with £238.1m related to 2018-19 and £190.8m to later years. Re-profiling from 2017-18 and subsequent funding announcements were added to the programme. After adjusting for items re-profiled into 2019-20, plus further accounting adjustments, the final 2018-19 programme budget and expenditure was £158.5m. The main external sources of finance were government grants (£86.3m), contributions from developers (£12.6m), contributions from other local authorities (£2.1m) and the Local Enterprise Partnership (£2.9m). Projects nominally funded by prudential borrowing totalled £49.2m, while actual borrowing during the year to fund previous capital temporarily funded by internal borrowing totalled £100m.

Capital Expenditure



Capital Funding



The Council achieved capital receipts from sales of property totalling £5.9m plus £0.9m from the repayment of loans and dividends treated as capital receipts. Capital receipts received in 2018-19 have been used or set aside to enable the Council to directly re-pay maturing debt, apart from £2m used flexibly to fund Children's Services transformation projects.

Major projects completed during 2018-19 included:

- **Schools**: A significant number of larger schools projects completed during 2018-19, including:

Project	Completion	Value
Fen Rivers Primary Phase	June 2018	£1.3m
Hooper Lane provision for excluded children	Sept 2018	£0.5m
Attleborough Junior to Primary	April 2018	£2.5m
Falcon Junior to 4FE	April 2018	£1.6m
Aylsham 30 Hours nursery	July 2018	£0.7m
St Clements nursery – North Norwich	Oct 2018	£0.4m
Taverham Junior School mobile replacement	May 2018	£1.1m

- **NDR**: The final section of the A1270 Norwich Northern Distributor Road – now named Broadland Northway – was fully opened up to all traffic on 17 April 2018.

- **County Farms**: The Council purchased 168.91 acres (68.36 ha) of farm land at Halvergate. With a number of planned farms disposals, this purchase has ensured headroom to ensure the County Farms Estate does not fall below the stated policy minimum of 16,000 acres.

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 long term borrowings is the Public Works Loans Board.

At 31 March 2019, the Council's external borrowing totalled £625m including £100m borrowed in 2018-19 to support prior capital expenditure temporarily funded by internal borrowing. Loan principal amounting to £6.8m is due to be repaid within one year.

To put the level of debt in context, the depreciated balance sheet value of the Council's land, building, infrastructure and other property, plant and equipment is £1.6bn.

Future capital programme

In order to replace and develop its assets and infrastructure, the Council needs to maintain a significant capital programme. The major on-going capital schemes are for improving the County's schools estate and transport infrastructure, including major developing projects relating to the Great Yarmouth Third River Crossing and the provision of SEND and AP education.

The majority of capital expenditure is funded from grants and contributions from third parties – primarily central government, although a significant amount of prudential borrowing will be required to manage the funding of schemes such as office refurbishments, ICT projects and the replacement of a waste recycling centre.

2019-22 Capital Programme by Service		2019-22 Capital Programme Funding	
	£m		£m
Adult Social Services	48.267		
Children's Services	244.496		
Community & Environmental Services	222.257	Prudential Borrowing	401.497
Finance & Commercial Services	102.534	Grants & Contributions	216.057
Total	**617.554**	**Total**	**617.554**

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 £1.4bn.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31 March 2019, 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.

Provisions

At the end of the financial year, the Council's provisions stood at £26.0m, including a £4.2m business rates appeal provision but excluding £6.4m provisions for bad debts which are set off against receivables in the statement of accounts. Of the provisions, £13.6m are cash backed, with the balance relating to an asset backed landfill provision. Provisions at the start of the year were £26.8m.

d) Outlook for the future

The Council's "Vision for Norfolk" sets out the Council's commitment to playing a leading role in:

- Building communities we can be proud of
- Installing infrastructure first
- Building new homes to help young people get on the housing ladder
- Developing the skills of our people through training and apprenticeships
- Nurturing our growing digital economy
- Making the most of our heritage, culture and environment

The Council's strategy, Norfolk Futures: The Council Strategy for 2018-21 explains how the Council will deliver its vision through intense focus and tangible delivery in specific areas that can only be delivered through whole Council cross department working.

However, the Council's ambitions are in the context of almost unprecedented uncertainty about future funding levels for local government. 2019-20 represents the final year of the four-year funding allocations for 2016-17 to 2019-20. These allocations have provided the Council with a degree of certainty about core elements of funding, but this period is coming to a close. The Government plans to implement fundamental changes to local government funding in 2020-21 as a result of the Spending Review, Fair Funding Review and 75% Business Rates Retention. Councils also await details of the Government's intentions for the future of Social Care in the forthcoming Green Paper.

Coupled with the substantial ongoing reductions in core government grants that have taken place since 2010, this level of uncertainty means that the financial environment for local government remains extremely challenging. Any (or all) of these changes could have a material impact on the resources available to Norfolk County Council to deliver services in future years.

Local authorities continue to face a growing gap between funding and service pressures, driven in part by demographic changes, unfunded burdens such as the National Living Wage, and the needs of vulnerable social care users becoming increasingly complex. In 2018-19 the increasing pressures on high needs block funding within the Dedicated Schools Grant have emerged as a very significant pressure. The restriction of funding for local authorities is placing increasing pressure on discretionary and preventative services, with a widespread retrenchment towards statutory service provision an emerging pattern across local government.

Taking these pressures into account, the Council has agreed a robust budget for 2019-20 focussing on delivering essential services in Norfolk to all those who live, work, or visit here. Work is underway to build on the foundations laid in this budget and begin to develop the detailed financial plans for future years which will be needed to secure the Council's financial position into 2020-21 and beyond.

e) Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position at 31 March 2019. They comprise of core and supplementary statements, together with disclosure notes. These financial statements for 2018-19 are set out in accordance with the **CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19**, which is based on International Financial Reporting Standards (IFRSs).

A Glossary of key financial terms can be found at the end of this document.

The Core Statements are:

- The **Comprehensive Income & Expenditure Statement** 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 and in the Expenditure and Funding Analysis.

- The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

- The **Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/liabilities of the Council (assets less liabilities) 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'.

- 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.

- The **Notes to the Accounts** provide supporting information on the figures included in each of the Core Statements, together with details of the Council's accounting policies. It also includes the **Expenditure and Funding Analysis** which shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Supplementary Statements are:

- The **Norfolk Fire Fighters Pension Fund Accounts** shows the operation of the Norfolk Fire Fighters Pension Fund administered by West Yorkshire Pension Fund for the Council's own fire-fighter employees.

- The **Group Accounts** sets out the income and expenditure for the year and financial position at 31 March 2019 of the Council and any companies or other organisations, which the Council either controls or significantly influences. The Council has reviewed its interests in companies and other organisations to determine which are to be included in the Group Accounts for 2018-19.

The financial results of two wholly owned companies are consolidated into the Group Accounts - Norse Group and Independent Matters CIC:

- With turnover of over £300m, Norse Group is itself a large group providing facilities management, property consultancy and care services to both public and private sector clients throughout the UK.
- Independence Matters CIC is a 'spin out' social enterprise launched by Norfolk County Council in 2013, with over 600 staff transferring from the Council's Personal and Community Support Services. Turnover for the year is over £16m.

Further details of these companies, and other subsidiaries which are not material for group accounting purposes, are given in the introduction to the Group Accounts included in these financial statements.

- The **Norfolk Pension Fund Accounts** shows the operation of the Norfolk Pension Fund administered by Norfolk County Council for its own employees and employees of the seven District, City and Borough Councils in Norfolk along with other scheduled and admitted bodies.

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 141 to 209. Copies of the full annual report for the pension fund are available on the Norfolk Pension Fund website (https://www.norfolkpensionfund.org/about-us/forms-and-publications/).

f) Further information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed as advertised on our website. The authority complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

Further information relating to this report can be found in the financial statements which follow, in Norfolk County Council's Budget Book 2019-23 https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/our-budget/our-budget.

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 Executive Director of Finance and Commercial Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Executive Director of Finance and Commercial Services' Responsibilities

The Executive Director of Finance and Commercial Services is responsible for the preparation of the Council's Statement of Accounts including those of the Pension Fund 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 Executive Director of Finance and Commercial Services has:

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

The Executive Director of Finance and Commercial Services 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 Executive Director of Finance and Commercial Services

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and that of the Pension Fund at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Simon George
Executive Director of Finance and Commercial Services
Date: 29 July 2019

I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 29 July and has been re-signed as authorisation to issue.

Cllr Ian Mackie
Chairman of Norfolk County Council Audit committee
Date: 29 July 2019

Independent Auditors' Report to the Members of Norfolk County Council

The opinion on the Council's and Firefighters' Pension Fund financial statements will be added here once the audit is complete.

Comprehensive Income and Expenditure Statement

	2017-18 Gross Expenditure £000s	2017-18 Gross Income £000s	2017-18 Net Expenditure £000s	2018-19 Gross Expenditure £000s	2018-19 Gross Income £000s	2018-19 Net Expenditure £000s
Continuing Services:						
Adult Social Services	400,233	120,047	280,186	432,106	134,012	298,094
Children's Services	577,271	358,131	219,140	573,270	348,903	224,367
Community and Environmental Services	273,304	102,697	170,607	280,010	105,318	174,692
Strategy and Governance Services*	19,312	7,581	11,731	16,409	5,302	11,107
Finance and Commercial Services	54,079	16,299	37,780	55,513	20,299	35,214
Finance General	16,182	9,325	6,857	18,063	12,827	5,236
Non Distributed Costs	(11,174)	0	(11,174)	16,003	0	16,003
Cost of Services	**1,329,207**	**614,080**	**715,127**	**1,391,374**	**626,661**	**764,713**
Other Operating Expenditure (Note 11)			109,296			64,847
Financing and Investment Income and Expenditure (Note 12)			59,355			59,146
Taxation and Non-Specific Grant Income (Note 13)			(765,288)			(765,954)
(Surplus) / Deficit on Provision of Services			**118,490**			**122,752**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(31,113)			(22,287)
Re-measurements of the net defined benefit liability			(67,442)			166,795
Other Comprehensive Income and Expenditure			**(98,555)**			**144,508**
Total Comprehensive Income and Expenditure			**19,935**			**267,260**

*On 10 December 2018 Full Council voted to remove the post of Managing Director and to create a new Chief Officer, the Executive Director, Strategy and Governance. For the purposes of these accounts the services that were once called the Managing Director's Department are now called Strategy and Governance Services.

Movement in Reserves Statement

	General Fund Balance* £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves of the Council £000s
Balance at 31 March 2017	**94,488**	**4,709**	**117,982**	**217,179**	**(247,577)**	**(30,398)**
Movement in Reserves during 2017-18						
Total Comprehensive Expenditure and Income	(118,490)	0	0	**(118,490)**	98,555	**(19,935)**
Adjustments between accounting basis & funding basis under regulations (Note 22)	119,697	(4,204)	(40,606)	**74,887**	(74,887)	**0**
Increase / (Decrease) in Year	**1,207**	**(4,204)**	**(40,606)**	**(43,603)**	**23,668**	**(19,935)**
Balance at 31 March 2018	**95,695**	**505**	**77,376**	**173,576**	**(223,909)**	**(50,333)**
Movement in Reserves during 2018-19						
Total Comprehensive Expenditure and Income	(122,752)	0	0	**(122,752)**	(144,508)	**(267,260)**
Adjustments between accounting basis & funding basis under regulations (Note 22)	122,035	(92)	6,053	**127,996**	(127,996)	**0**
Increase / (Decrease) in Year	**(717)**	**(92)**	**6,053**	**5,244**	**(272,504)**	**(267,260)**
Balance at 31 March 2019	**94,978**	**413**	**83,429**	**178,820**	**(496,413)**	**(317,593)**

* Note that the General Fund comprises the Council’s General balances together with earmarked reserves. Details of movements in these reserves are shown in Note 33 on page 81.

Balance Sheet

	Note	31 March 2018	31 March 2019
		£000s	**£000s**
Property, Plant & Equipment	24	1,626,391	1,633,055
Heritage Assets	25	6,704	7,169
Investment Property	26	21,529	21,192
Intangible Assets		1,684	2,559
Long Term Investments	27	13,202	14,403
Long Term Debtors	28	70,141	72,353
Long Term Assets		**1,739,651**	**1,750,731**
Short Term Investments	27	72,000	34,683
Inventories		584	544
Short Term Debtors	28	119,225	169,421
Cash and Cash Equivalents	29	14,391	67,878
Assets Held for Sale	30	3,555	593
Current Assets		**209,755**	**273,119**
Short Term Borrowing	27	(14,226)	(13,689)
Other Short Term Liabilities	27	(1,893)	(1,602)
Short Term Creditors	31	(160,270)	(161,974)
Provisions	32	(5,997)	(6,737)
Current Liabilities		**(182,386)**	**(184,002)**
Provisions	32	(20,835)	(19,262)
Long Term Borrowing	27	(527,740)	(620,751)
Other Long Term Liabilities	27	(1,238,325)	(1,477,373)
Capital Grants Receipts in Advance	14	(30,453)	(40,055)
Long Term Liabilities		**(1,817,353)**	**(2,157,441)**
Net Assets		**(50,333)**	**(317,593)**
Usable Reserves	33	173,576	178,820
Unusable Reserves	34	(223,909)	(496,413)
Total Reserves		**(50,333)**	**(317,593)**

Cash Flow Statement

	31 March 2018 £000s	31 March 2019 £000s
Net (surplus) or deficit on the provision of services	**118,490**	**97,934**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(238,888)	(146,720)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	106,637	81,301
Net cash flows from Operating Activities (Note 45)	(13,761)	32,515
Investing Activities (Note 46)	61,023	2,216
Financing Activities (Note 47)	(10,322)	(88,218)
Net (increase) or decrease in cash and cash equivalents	**36,940**	**(53,487)**
Cash and cash equivalents at the start of the year	**51,331**	**14,391**
Cash and cash equivalents at the end of the year (Note 29)	**14,391**	**67,878**

Notes to the Financial Statements

Notes to the Core Financial Statements

1. Accounting Policies

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Statement of Accounts have been produced on a going concern basis.

ii) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii) Cash and Cash Equivalents

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

iv) 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.

v) 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 amortisation. 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.

vi) Council Tax Income and Business Rates

The council tax income and business rates included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required to be credited to the General Fund under statute is taken to the Collection fund Adjustment Account included as a reconciling item through the Movement in Reserves Statement so that there is no net charge against council tax for the adjustment. The Council's share of council tax debtors and creditors and business ratepayers arrears, overpayments and prepayments and appeals are included in the debtor and creditor totals in the Balance Sheet.

vii) Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly 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.

<u>Termination Benefits</u>

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 in exchange for those benefits and are charged on an accruals basis to the relevant service, or where applicable, to a corporate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

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.

<u>Post Employment Benefits</u>

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

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

All of the schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The 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 employer contributions in the NHS Pension Scheme are charged to Public Health, within Community and Environmental Services.

<u>The Local Government Pension Scheme</u>

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

- 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- 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.

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:
  - 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 as a result of a scheme amendment or curtailment 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.
  - Net interest on the net defined benefit liability i.e. net interest expense for the Council – the change during the period in the defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the defined benefit liability – charges to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pension 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 as Other Comprehensive Income and Expenditure.
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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 transfers 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.

Fire Fighters Pension Scheme

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 net 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.

Discretionary Benefits

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.

viii) Events after the Balance Sheet Date

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

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

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

ix) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings, borrowings, PFI and finance lease liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

x) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the 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.

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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

The Council's business model is to hold investments, except equity instruments, to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those equity instruments which are not consolidated into the group accounts. The council has elected to designate these equity instruments as Fair Value through Other Comprehensive Income.

Financial Assets measured at Amortised Cost

Financial assets measured at amortised cost 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest less any expected credit loss) 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.

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.

Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses, where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Equity Instruments Designated as Fair Value through Other Comprehensive Income (FVOCI)

The council holds several equity instruments for which it has elected to measured at FVOCI. Financial assets measure at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instruments and are initially measured and carried at fair value. Fair value gains and losses are only recognised when the instrument is sold.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

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 section on Provisions, Contingent Liabilities and Contingent Assets.

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.

xi) 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.

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

xiii) Heritage Assets

Assets will be recognised in the Balance Sheet as Heritage Assets where they are held principally to increase the knowledge, understanding and appreciation of the local area and its history. The recognition of Heritage Assets will be consistent with the Council's Property, Plant and Equipment policy, including a de minimis for recognition of £40,000.

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. Assets meeting the above definition and obtained since 1 April 2010 are capitalised on the Balance Sheet under Heritage Assets.

Heritage Assets will be measured, revalued, impaired and disposed of in accordance with the Council's accounting policy on Property, Plant and Equipment. However, some of the measurement rules will be relaxed in relation to Heritage Assets with valuation or historic cost replacing fair value where appropriate. Further details of the measurement methodology for Heritage Assets are set out in the note to the accounts.

Due to the nature of the items, it is not appropriate to charge depreciation on Heritage Assets.

xiv) 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.

xv) 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 amortised cost for subsidiaries and fair value for all others.

xvi) 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.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year. Any performance obligations not satisfied will remain on the balance sheet as either a Contract Asset or Contract Liability.

xvii) 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurements date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xviii) Joint Operations

Joint operations are arrangements where contractual agreements are in place under which two or more parties share control. However, rather than rights to the net assets of the arrangement, the joint operators have rights to assets and obligations in relation to liabilities. Joint operations, including the elements of pooled funds which are classified as joint arrangements, are recognised in the single entity statements by bringing in the Council's share of the assets, liabilities, revenue and expenses of the arrangement.

xix) 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 Council 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 Council'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.

<u>Operating Leases</u>

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.

xx) Overheads and Support Services

Central departments operate within predetermined budgets and generally their costs are not allocated to departments.

xxi) 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 Council 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 is £40,000.

Measurement

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
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of 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 current 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, net of any accumulated gains written off from the Revaluation Reserve, 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.

Componentisation

Where an asset contains a component with a significant cost in relation to the overall asset and a different useful life, the Council is required under the Code to recognise the component separately. Where components are recognised they are depreciated over their own useful lives when calculating the depreciation chargeable for the year.

Where capital expenditure results in an acquisition which replaces a component of an asset, the original component is derecognised in order to ensure that the Council does not overstate its assets.

The de-minimis level for componentising assets is £1.2m on the gross book value of buildings only.

Impairment

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

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

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

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

Depreciation

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

Depreciation 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.

Disposals and non current assets held for sale

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, and the asset is being actively marketed, 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 the following:

- new capital investment
- set aside to reduce the Council's underlying need to borrow (the capital financing requirement)
- used to help fund the revenue costs of transformation projects and release savings, as directed by the Secretary of State in December 2017 exercising his powers under sections 16(2)(b) and 20 of the Local Government Act 2003.

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.

xxii) 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 except in the case of schools which have transferred to Academy status.

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 10.07%, Salt Barns PFI 44.34% and Street Lighting PFI 8.20%).
- **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.

xxiii) Provisions, Contingent Liabilities and Contingent Assets

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 Council 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 Council settles the obligation.

Contingent Liability

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

Contingent Assets

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

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

xxiv) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxv) 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.

xxvi) Schools

In line with the Code of Practice and IFRS10 the single entity financial statements include the income, expenditure, current assets, current liabilities, reserves and cash flows of the Council's maintained schools.

Based on an assessment of the control of the economic benefits and service potential of schools non current assets, the Council recognises Community and Voluntary Controlled schools non current assets, along with playing fields for VA schools, on the Balance Sheet. Voluntary aided schools (except playing fields), Foundation schools and Academies are deemed to be outside of the Council's control and therefore remain off Balance Sheet.

xxvii) Value Added Tax (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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

- Amendments to IAS 40 Investment Property: Transfers of Investment Property clarifies the situations when a property may be classified as an investment property. The Council's existing classifications will not change because of this amendment.
- The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle on 8 December 2016, amending IFRS 1, IFRS 12 and IAS 28. These improvements will have no impact on the single entity or group accounts.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration IFRIC 22 provides guidance applicable when an entity receives or pays consideration in advance in a foreign currency. The Council does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments clarifies that an entity has to consider whether it is probable that the relevant tax authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. This will have no material impact on the single entity or group accounts.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans of this nature.
- The implementation of IFRS16 will have a significant impact on the way in which leased assets are accounted for. Under existing rules, lessees account for leases as either operating leases or finance leases depending on the nature of the lease, with only finance lease assets and liabilities being recognised on the balance sheet. IFRS16 will require all leases, with very few exceptions, to be included in the balance sheet. This is likely to result in a number of vehicle and property leases currently classified as operating leases to be brought onto the balance sheet. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020 at which time the right of use assets and corresponding lease liabilities in the single entity accounts will each be approximately £16m, with the impact on the Group Accounts an additional £8m and 9m respectively.

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 £42.4m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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 £2.4m 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 an increase in the pension liability of £311.531m. However, the assumptions interact in complex ways. During 2018-19, the Council's actuaries advised that the net pension liability had increased by £242.644m.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in	To measure the fair value of some of its investment properties, surplus asset and assets held for sale, the Council uses a model based on yields chosen by comparison to comparable transactions adjusted to allow for factors such title constraints, known ground conditions, location, topography and physical constraints. The significant unobservable inputs used in the fair value measurement include management assumptions regarding

establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, valuations are undertaken by NPS Property Consultants Limited).

Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 26 and 27 below.

planning potential, or untested ground conditions.

Significant changes in the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

Supporting the Comprehensive Income and Expenditure Statement

5. Expenditure and Funding Analysis

	2018-19		
	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s
Adult Social Services	243,288	54,806	298,094
Children's Services	177,409	46,958	224,367
Community and Environmental Services	115,566	59,126	174,692
Strategy and Governance Services	8,105	3,002	11,107
Finance and Commercial Services	21,856	13,358	35,214
Finance General	(3,482)	8,718	5,236
Non Distributed Costs	0	16,003	16,003
Net Cost of Services	**562,742**	**201,971**	**764,713**
Other Income and Expenditure	(562,025)	(79,936)	(641,961)
(Surplus) or Deficit	**717**	**122,035**	**122,752**
Opening General Fund Balance at 31 March*	95,695		
Less deficit on General Fund	(717)		
Closing General Fund Balance at 31 March*	**94,978**		

	2017-18		
	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s
Adult Social Services	232,293	47,893	280,186
Children's Services	163,367	55,773	219,140
Community and Environmental Services	119,573	51,034	170,607
Strategy and Governance Services	8,911	2,820	11,731
Finance and Commercial Services	24,728	13,052	37,780
Finance General	3,631	3,226	6,857
Non Distributed Costs	0	(11,174)	(11,174)
Net Cost of Services	**552,503**	**162,624**	**715,127**
Other Income and Expenditure	(553,710)	(42,927)	(596,637)
(Surplus) or Deficit	**(1,207)**	**119,697**	**118,490**
Opening General Fund Balance at 31 March *	94,488		
Plus surplus on General Fund	1,207		
Closing General Fund Balance at 31 March *	**95,695**		

* The General Fund Balance in the tables above represent the Council's General Balances together with total earmarked reserves as detailed in Note 23 on page 61.

6. Note to the Expenditure and Funding Analysis

	2018-19			
	Adjustments for Capital Purposes	Net change for the pensions adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Adult Social Services	2,852	7,445	44,509	54,806
Children's Services	27,070	17,086	2,802	46,958
Community and Environmental Services	45,058	9,206	4,862	59,126
Strategy and Governance Services	0	1,907	1,095	3,002
Finance and Commercial Services	9,564	3,790	4	13,358
Finance General	1,895	(12,715)	19,538	8,718
Non Distributed Costs	0	16,003	0	16,003
Net Cost of Services	**86,439**	**42,722**	**72,810**	**201,971**
Other Income and Expenditure from the Expenditure and Funding Analysis	(39,192)	33,126	(73,870)	(79,936)
Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services	**47,247**	**75,848**	**(1,060)**	**122,035**

	2017-18			
	Adjustments for Capital Purposes	Net change for the pensions adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Adult Social Services	5,091	9,006	33,796	47,893
Children's Services	27,119	23,864	4,790	55,773
Community and Environmental Services	34,453	11,839	4,742	51,034
Strategy and Governance Services	2	2,103	715	2,820
Finance and Commercial Services	8,464	4,586	2	13,052
Finance General	(316)	(12,603)	16,145	3,226
Non Distributed Costs	0	(11,174)	0	(11,174)
Net Cost of Services	**74,813**	**27,621**	**60,190**	**162,624**
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,947)	32,041	(61,021)	(42,927)
Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services	**60,866**	**59,662**	**(831)**	**119,697**

*On 10 December 2018 Full Council voted to remove the post of Managing Director and to create a new Chief Officer, the Executive Director, Strategy and Governance. For the purposes of these accounts the services that were once called the Managing Director's Department are now called Strategy and Governance Services.

Adjustments for Capital Purposes

Adjustments for capital purposes adds in depreciation and impairment and revaluation gains and losses in service lines:

- Other operating expenditure - adjusts for capital disposals with a transfer to income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-specific Grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net Change for Pensions Adjustments removes the pension contributions and adds the IAS19 employee benefits pension related expenditure and income.

- For services this represents the removal of employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other Differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General fund for the timing differences for premiums and discounts.
- Taxation and Non-specific Grant income and expenditure includes the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund. It also includes adjustments for government grants which are deemed to be non ringfenced and therefore moved to this section from services.

7. Segmental Income

Income received from external customers (as included in column 1 of the Expenditure and Funding Analysis) on a segmental basis is analysed below:

	2017-18	2018-19
	£000s	£000s
Adult Social Services	67,422	73,753
Children's Services	31,313	45,776
Community and Environmental Services	23,199	23,995
Strategy and Governance Services	6,378	3,782
Finance and Commercial Services	7,322	8,576
Finance General	729	390
Total income analysed on a segmental basis	**136,363**	**156,272**

8. Expenditure and Income analysed by Nature

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

	2017-18	2018-19
	£000s	£000s
Expenditure		
Employee benefits expenses	475,425	462,682
Other Services expenses	800,775	868,493
Support Service recharges	46,249	55,028
Depreciation, amortisation, impairment	66,775	70,277
Interest payments	63,525	63,228
Precepts and levies	1,349	1,392
Gain/loss on disposal of assets	107,947	63,456
Total Expenditure	**1,562,045**	**1,584,556**
Income		
Fees, charges and other service income	(220,934)	(263,614)
Interest and investment income	(2,441)	(2,221)
Income from council tax and business rates	(504,928)	(536,770)
Government Grants and contributions	(715,252)	(659,199)
Total Income	**(1,443,555)**	**(1,461,804)**
Surplus or Deficit on the Provision of Services	**118,490**	**122,752**

9. Revenue Contracts with Service Recipients

There has been no material impact of adopting IFRS 15 on the Council's accounts for the year. The Council does not in general enter into contracts with service recipients where the transaction price is different to the contract price. In addition, the Council financial procedures encourage invoicing in advance for one off goods or services. When services cannot be invoiced in advance all monies due are accounted for as receivables in the balance sheet. As a result, the Council carries no material contract assets as defined by IFRS15. In respect to ongoing contracts, the Council invoices at regular intervals based on contract specifications, and any Contract Liabilities at 31 March will be fulfilled in the next financial year.

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

	2017-18 £000s	2018-19 £000s
Revenue from contracts with service recipients	(136,363)	(156,272)
Impairment of receivables	2,292	186
Total included in Comprehensive Income and Expenditure Statement	**(134,071)**	**(156,086)**

Amounts included in the Balance Sheet for contracts with service recipients:

	31 March 2018 £000s	31 March 2019 £000s
Receivables, which are included in Note 28	47,604	59,336
Contract Liabilities, which are included in Note 31	(2,015)	(2,963)
Total Included in Net Assets	**45,589**	**56,373**

Significant changes in the contract liabilities balances during the period are as follows:

	31 March 2018 £000s	31 March 2019 £000s
Contract Liabilities at the beginning of the year	(2,334)	(2,015)
Increases due to cash received	(1,960)	(2,908)
Transfers from contract liabilities recognised at the beginning of the period to payables	2,279	1,960
Contract Liabilities at the end of the year	**(2,015)**	**(2,963)**

All contract liabilities that relate to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year are expected to be recognised within one year.

10. Material Item of Income and Expense

During 2018-19, 23 schools transferred to Academy, Voluntary Aided and Foundation status. The assets relating to these schools have been removed from the Council's balance sheet. The value written off amounts to £60.887m and the net loss on disposal of these assets is the main reason for the total shown in note 11 to the accounts.

11. 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:

	2017-18 £000s	2018-19 £000s
Environment Agency precept	813	848
Eastern Sea Fisheries precept	536	543
(Gains)/losses on disposal of non current assets	107,947	63,456
Total	**109,296**	**64,847**

12. 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:

	2017-18 £000s	2018-19 £000s
Interest payable and similar charges	32,096	30,626
Net interest cost on the net defined benefit liability	31,373	32,540
Interest receivable and similar income	(2,441)	(2,221)
Income and expenditure in relation to investment properties and / or changes in their fair value (Note 26)	(469)	(31)
Dividend Income	(1,247)	(1,350)
(Gains)/Losses on trading accounts not included in the cost of services (Note 15)	43	(418)
Total	**59,355**	**59,146**

13. 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:

	2017-18 £000s	2018-19 £000s
Council tax income	359,749	387,683
Non domestic rates	145,180	149,087
Non ring fenced government grants	135,224	129,771
Capital grants, contributions and donated assets	125,135	99,413
Total	**765,288**	**765,954**

14. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-19. The table shows details of grants credited to Services where the balance is in excess of £0.200m in 2018-19.

	2017-18 restated* £000s	2018-19 £000s
Credited to Taxation and non Specific Grant Income		
General Government Grants:		
Ministry of Housing, Communities and Local Government	127,943	121,717
Department for Education	4,839	5,648
Home Office	1,204	1,204
Department of Health and Social Care	1,238	1,202
Total General Government Grants	**135,224**	**129,771**
Capital Grants and Contributions:		
Department for Education	29,653	17,819
Department for Transport	64,669	58,486
Other Local Authorities	7,226	4,499
New Anglia Local Enterprise Partnership	13,464	2,961
Developer Contributions	9,302	15,640
Grants and Contributions less than £0.200m	821	8
Total Capital Grants and Contributions	**125,135**	**99,413**
Credited to Services:		
Adult Social Services:		
NHS Clinical Commissioning Groups	44,204	44,381
Other Local Authorities	398	678
NHS Foundation Trusts	362	657
Ministry of Housing, Communities and Local Government	604	642
Home Office	395	498
Children's Services:		
Department for Education	335,969	308,051
Ministry of Housing, Communities and Local Government	2,227	2,383
Grants & Contributions raised directly by schools	1,143	1,679
NHS Primary Care Trusts/Clinical Commissioning Groups	1,535	1,216
Arts Council /Federation of Music Services	1,070	1,074
Home Office	631	905
Other Local Authorities	236	660

Community and Environmental Services:		
Department of Health and Social Care (Public Health)	40,093	39,062
Department for Education	4,413	4,305
Department for Digital, Culture, Media & Sport	5,183	3,633
Arts Council	2,075	1,817
Department for Transport	2,567	1,318
Developer Contributions	2,030	1,307
EU Funding	1,532	1,092
NHS England (Public Health)	2,343	1,070
Heritage Lottery Fund	176	990
Other Local Authorities	0	797
Ministry of Housing, Communities and Local Government	0	674
Sport England Lottery	728	577
Department for Environment, Food and Rural Affairs	255	564
Department of Work and Pensions	0	264
Managing Director's Department:		
Other Local Authorities	328	0
Finance and Commercial Services		
Other Local Authorities	0	459
Grants and Contributions less than £0.200m	4,215	2,370
Total Grants and Contributions recognised in net Cost of Services	**454,712**	**423,123**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

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:

	2017-18 restated £000s	**2018-19 £000s**
Included in Current Liabilities		
Conditional Revenue Grants & Contributions:		
Department for Education	1,044	985
Department for Work and Pensions	0	560
Home Office	0	276
NHS Clinical Commissioning Groups	52	52
Ministry of Housing, Communities and Local Government	0	10
Department for Transport	146	0
Department for Digital, Culture, Media and Sport	304	0
Other Revenue Grants & Contributions	199	36
Total Conditional Revenue Grants & Contributions	**1,745**	**1,919**

Included in Long Term Liabilities		
Capital Grants Receipts in Advance:		
Developer Contributions	19,439	31,337
Department for Education	2,528	2,313
New Anglia Local Enterprise Partnership	5,667	2,040
Contributions from Diocese	57	55
Other Local Authorities	2,237	3,809
Department for Transport	120	446
School Contributions	163	0
Other smaller Capital Grants & Contributions	242	55
Total Capital Grants Receipts in Advance	**30,453**	**40,055**

15. 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.

The Council has two trading units with a turnover greater than £1.5m in 2018-19.

a) Legal Services which 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 for Legal Services in 2018-19 was £5.938m (£5.251m in 2017-18) and the net surplus was £0.418m (deficit of £0.043m in 2017-18).

b) Educator Solutions employs over 375 staff who deliver a breadth of services to educational establishments across Norfolk and beyond. These services include leadership and governance, improved teaching skills and techniques, financial management and HR and a range of inspirational learning environments. Turnover in 2018-19 was £7.839m (£9.947m in 2017-18) and the net deficit was £0.480m (surplus of £0.125m in 2017-18).

16. Agency Services

The County Council administers money on behalf of the Clinical Commissioning Groups under Section 28 agreements. For 2018-19 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £10.949m (£12.297m in 2017-18).

17. Joint Arrangements

- **Norfolk Pharmaceutical and Medicines Management Pooled Fund**

From 1 September 2003, Norfolk County Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to provide a pharmaceutical and medicines management service in Norfolk. Norfolk County Council provides financial management for the Pooled Fund.

	2017-18	2018-19
	£000s	£000s
Gross Income	(389)	(391)
Expenditure	249	375
(Surplus)/Deficit	**(140)**	**(16)**
Council's Contribution	20	20

The County Council and the CCG's have agreed that the surplus/deficit is to be carried forward and not returned to the Partners.

- **Better Care Fund**

Norfolk's Better Care Fund (BCF) programme is a key mechanism for the delivery of integration between health and social care.

In 2015, the Council entered into Section 75 "Better Care Fund" arrangements with each of the five Clinical Commissioning Groups in Norfolk. The regulations require that one of the partners is nominated as the host of the pooled budget and Norfolk County Council acts in this capacity.

For each service included within the Section 75 agreements either the Council or a CCG is solely responsible for delivery. Entries in the County Council's financial system relate to the share of the pool that is controlled by the Council, with notional entries to reflect the share of the pool controlled by the respective CCGs. These notional entries are excluded from the Council's accounts. The table below reflects funding and spend across all of the partners in 2018-19.

Following the Chancellor's announcement in the 2017 spring budget of additional funding for adult social care, Norfolk County Council received additional one off funding provided as a bridge to the recurring improved Better Care Fund (iBCF) which took effect from 2018-19. The funding was to be spent on adult social care and used for the purposes of meeting adult social care needs, reducing pressures on the NHS. The grant was paid to Norfolk County Council but had to be pooled into the Better Care Fund. The grant income and associated expenditure is included in the table below shown as iBCF grant income and iBCF Projects expenditure.

The Norfolk Health and Wellbeing Board is accountable, overall, for the Norfolk BCF.

The contributions and expenses of the Pools for 2018-19 are as follows:

2018-19	Great Yarmouth and Waveney CCG £000s	North Norfolk CCG £000s	Norwich CCG £000s	South Norfolk CCG £000s	West Norfolk CCG £000s	Norfolk BCF Capital Pool £000s	**Total £000s**
Income:							
Great Yarmouth and Waveney CCG	(3,672)						(3,672)
North Norfolk CCG		(4,835)					(4,835)
Norwich CCG			(5,538)				(5,538)
South Norfolk CCG				(6,121)			(6,121)
West Norfolk CCG					(5,555)		(5,555)
	(3,672)	(4,835)	(5,538)	(6,121)	(5,555)	0	(25,721)
iBCF Grant Income (Note A)	(3,585)	(6,430)	(5,731)	(6,389)	(5,595)		(27,730)
Norfolk County Council	(3,437)	(5,763)	(6,503)	(7,716)	(5,869)		(29,288)
Capital Grants						(7,480)	(7,480)
Total Income	(10,694)	(17,028)	(17,772)	(20,226)	(17,019)	(7,480)	(90,219)
Expenditure:							
Great Yarmouth and Waveney CCG	3,672						3,672
North Norfolk CCG		4,835					4,835
Norwich CCG			5,538				5,538
South Norfolk CCG				6,121			6,121
West Norfolk CCG					5,555		5,555
	3,672	4,835	5,538	6,121	5,555	0	25,721
iBCF Projects expenditure (Note B)	3,585	6,430	5,731	6,389	5,595		27,730
Norfolk County Council	3,437	5,763	6,503	7,716	5,869	7,480	36,768
Total Expenditure	10,694	17,028	17,772	20,226	17,019	7,480	90,219
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Note A: This figure reflects the relevant locality share of iBCF grant income paid by MHCLG for projects undertaken by social care on behalf of the Pooled Fund.

Note B: This total reflects an actual in year spend of £22.873m by the County Council and a carried-forward balance of £4.857m.

2017-18

	Great Yarmouth and Waveney CCG	North Norfolk CCG	Norwich CCG	South Norfolk CCG	West Norfolk CCG	Norfolk BCF Capital Pool	**Total**
	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**
Income:							
Great Yarmouth and Waveney CCG	(3,605)						(3,605)
North Norfolk CCG		(4,745)					(4,745)
Norwich CCG			(5,435)				(5,435)
South Norfolk CCG				(6,007)			(6,007)
West Norfolk CCG					(5,451)		(5,451)
	(3,605)	(4,745)	(5,435)	(6,007)	(5,451)	0	(25,243)
iBCF Grant Income (Note A)	(2,882)	(4,801)	(3,929)	(4,441)	(4,393)		(20,446)
Norfolk County Council	(3,373)	(5,656)	(6,382)	(7,572)	(5,759)		(28,742)
Capital Grants						(6,924)	(6,924)
Total Income	**(9,860)**	**(15,202)**	**(15,746)**	**(18,020)**	**(15,603)**	**(6,924)**	**(81,355)**
Expenditure							
Great Yarmouth and Waveney CCG	3,605						3,605
North Norfolk CCG		4,745					4,745
Norwich CCG			5,435				5,435
South Norfolk CCG				6,007			6,007
West Norfolk CCG					5,451		5,451
	3,605	4,745	5,435	6,007	5,451		25,243
iBCF Projects expenditure (Note B)	2,882	4,801	3,929	4,441	4,393		20,446
Norfolk County Council	3,373	5,656	6,382	7,572	5,759	6,924	35,666
Total Expenditure	**9,860**	**15,202**	**15,746**	**18,020**	**15,603**	**6,924**	**81,355**
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Note A: This figure reflects the relevant locality share of iBCF grant income paid by MHCLG for projects undertaken by Adults Social Care on behalf of the Pooled Fund.

Note B: This total reflects an actual in year spend of £4.776m by the County Council and a carried-forward balance of £15.670m.

- **Equipment Pool**

  As part of the Better Care Fund, an Equipment Service arrangement is hosted by NCC and decisions are made jointly. The fund is used to provide equipment to people who are eligible for equipment either from the NHS or the County Council. It is accounted for as joint operations with each organisation accounting for its share of income and expenditure as set out in the table below, and over and underspend risks being borne by the Partner responsible.

2018-19	**Contributions £000s**	**Expenditure £000s**	**Net (surplus) / deficit £000s**
Clinical Commissioning Groups:			
Great Yarmouth and Waveney CCG	(441)	441	0
North Norfolk CCG	(1,221)	1,221	0
Norwich CCG	(1,153)	1,153	0
South Norfolk CCG	(1,307)	1,307	0
West Norfolk CCG	(1,036)	1,036	0
	(5,158)	5,158	0
Norfolk County Council	(2,802)	2,802	0
Total	(7,960)	7,960	0

2017-18	**Contributions £000s**	**Expenditure £000s**	**Net (surplus) / deficit £000s**
Clinical Commissioning Groups:			
Great Yarmouth and Waveney CCG	(385)	385	0
North Norfolk CCG	(1,105)	1,105	0
Norwich CCG	(1,003)	1,003	0
South Norfolk CCG	(1,065)	1,065	0
West Norfolk CCG	(923)	923	0
	(4,481)	4,481	0
Norfolk County Council	(2,404)	2,404	0
Total	**(6,885)**	**6,885**	**0**

- **Infrastructure Investment Fund**

The 2013 Greater Norwich City Deal allows, amongst other things, access to £60m of Public Works Loan Board (PWLB) borrowing at a favourable rate to fund strategic infrastructure. The agreement included a commitment from Broadland District Council, Norwich City Council and South Norfolk Council to pool CIL income, and in October 2015 an agreement including Norfolk County Council was signed to pool CIL income in order to create a substantial local growth fund to support local infrastructure projects. Norfolk County Council acts as the accountable body.

Under a related agreement Norfolk County Council has borrowed £40m in 2017-18 to part fund the construction costs of the Broadland Northway road, with the annual repayments of principal and interest to the PWLB to be drawn from the pooled fund. The financial statements carry the PWLB debt within Long Term Borrowing, with the commitment by the local growth fund to re-pay the borrowing reflected as a Long Term Debtor.

	2017-18	**2018-19**
	£000s	**£000s**
Balance brought forward	3,577	3,543
Gross Income	3,117	4,935
Expenditure	(3,166)	(4,875)
Interest on daily cash balances	15	30
Balance carried forward	**3,543**	**3,633**

18. Members Allowances

The total amount of members allowances paid in the year was £1.260m (£1.199m in 2017-18).

19. Officers Remuneration

(i) Council's senior employees:

The following tables set 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 (e.g. as declared on HM Revenue & Customs form P11D).
- Compensation for loss of office and any other payments receivable on termination of employment.

The salary totals for interim chief officers represents the fees paid to secure the services of these officers. Figures in the tables have been rounded to the nearest hundred pounds.

Senior Officer Remuneration Table – 2018-19

Position & Postholder	Note	Salary	Expenses Allowances*	Compensation for loss of office	**Sub Total**	Employer Pension contributions	**Total**
Managing Director: *W Thomson*	A	156,100	0	0	**156,100**	24,200	**180,300**
Executive Director of Communities and Environment (Head of Paid Service): *T McCabe*	A	148,100	0	0	**148,100**	23,000	**171,100**
Executive Director of Adult Social Services: *J Bullion*		139,900	0	0	**139,900**	21,800	**161,700**
Executive Director of Children's Services: *S Tough*		152,800	0	0	**152,800**	23,700	**176,500**
Executive Director of Finance and Commercial Services: *S George*	B	144,100	0	0	**144,100**	22,500	**166,600**
Executive Director of Strategy and Governance: *F McDiarmid*	C	108,200	0	0	**108,200**	16,900	**125,100**
Director of Public Health: *L Smith*		115,900	0	0	**115,900**	16,800	**132,700**
Chief Fire Officer: *D Ashworth*	D	119,300	3,800	0	**123,100**	26,400	**149,500**
Deputy Chief Fire Officer: *S Ruff*	D	22,100	300	0	**22,400**	4,800	**27,200**
Chief Legal Officer: *H Edwards*	E	15,900	0	0	**15,900**	2,500	**18,400**
Deputy Monitoring Officer: *A Choudhury*	E	85,700	0	0	**85,700**	13,300	**99,000**

*The expenses allowances in the table relate to a vehicle at Chief Fire Officer's disposal and the Deputy Chief Fire Officer's lease car.

Note A: Wendy Thomson resigned from the post of Managing Director and left the Council on 31 January 2019. The post was subsequently deleted. The Executive Director of Communities and Environment took up the additional responsibilities of Head of Paid Service on an interim basis on 17 December 2018 and then permanently on 7 May 2019.

Note B: The Executive Director of Finance and Commercial Services has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Norfolk Pension Fund and holds the role of Fund Administrator. For 2018-19 the remuneration amount incurred by the Fund was £9,000. This is included in the remuneration figure shown in the table above.

Note C: The post of Strategy Director was changed to Executive Director of Strategy and Governance on 17 December 2018.

Note D: The Chief Fire Officer retired on 6 April 2019. The Deputy Chief Fire Officer acted up in this role from 18 January 2019 before being appointed permanently on 8 April 2019. His remuneration for the period 18 January 2019 to 31 March 2019 is shown in the table above.

Note E: A new Chief Legal Officer, fulfilling the function of Monitoring Officer, joined the Council on 4 February 2019. Their remuneration for the period 4 February 2019 to 31 March 2019 is shown in the table above. The Council's Deputy Monitoring Officer covered the Monitoring Officer function until the recruitment process was completed. For 2018-19, this was for the period from 1 April 2018 to 3 February 2019 and their remuneration for that period is included in the table above.

Senior Officer Remuneration Table – 2017-18

Position & Postholder	Note	Salary	Expenses Allowances*	Compensation for loss of office	**Sub Total**	Employer Pension contributions	**Total**
Managing Director: *W Thomson*		183,600	0	0	**183,600**	28,500	**212,100**
Executive Director of Adult Social Services: *J Bullion*		133,100	0	0	**133,100**	20,600	**153,700**
Executive Director of Children's Services: *S Tough*	A	63,300	0	0	**63,300**	9,800	**73,100**
Executive Director of Children's Services: *M Dunkley*	A	153,000	0	0	**153,000**	0	**153,000**
Executive Director of Communities and Environment: *T McCabe*		142,300	0	0	**142,300**	22,100	**164,400**
Executive Director of Finance and Commercial Services: *S George*	B	137,100	0	0	**137,100**	21,300	**158,400**
Strategy Director: *F McDiarmid*	D	94,700	0	0	**94,700**	14,700	**109,400**
Director of Public Health: *L Smith*		117,100	0	0	**117,100**	16,800	**133,900**
Chief Fire Officer: *D Ashworth*		110,900	3,300	0	**114,200**	24,000	**138,200**
Chief Legal Officer: *V McNeill*	C	58,500	1,100	0	**59,600**	8,700	**68,300**
Deputy Monitoring Officer: *A Choudhury*	C	8,200	0	0	**8,200**	1,300	**9,500**

*The expenses allowances in the table relate to a vehicle at Chief Fire Officer's disposal and the Chief Legal Officer's lease car.

Note A: A permanent Executive Director for Children's Services was appointed to the role and joined the Council on 30 October 2017. M Dunkley remained for a handover period with his last day being 3 November 2017, the sums shown against him represent the fees paid to secure his services and are not salary.

Note B: The Executive Director of Finance and Commercial Services has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Norfolk Pension Fund and holds the role of Fund Administrator. For 2017-18 the remuneration amount incurred by the Fund was £9,000. This is included in the remuneration figure shown in the table above.

Note C: The Chief Legal Officer left the Council's employment in late February 2018. The Council's Practice Director of NPLaw is also the Council's Deputy Monitoring Officer and covered the Monitoring Officer function. For 2017-18, this was for the month of March and their remuneration for that period is included in the table above.

Note D: A new role of Strategy Director was appointed on 11 April 2017. The remuneration shown in the table above is for the period 11 April 2017 to 31 March 2018.

(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	2017-18			2018-19		
	School Staff	Other Staff	Total Employees	School Staff	Other Staff	Total Employees
£50,000 - £54,999	81	109	190	55	117	172
£55,000 - £59,999	53	64	117	56	60	116
£60,000 - £64,999	35	33	68	33	42	75
£65,000 - £69,999	13	15	28	19	16	35
£70,000 - £74,999	10	18	28	9	20	29
£75,000 - £79,999	6	7	13	3	2	5
£80,000 - £84,999	4	9	13	3	5	8
£85,000 - £89,999	2	3	5	0	3	3
£90,000 - £94,999	3	5	8	3	5	8
£95,000 - £99,999	1	3	4	1	5	6
£100,000 - £104,999	0	2	2	2	2	4
£105,000 - £109,999	0	1	1	0	2	2
£110,000 - £114,999	1	0	1	1	0	1
£115,000 - £119,999	0	0	0	0	0	0
£120,000 - £124,999	0	2	2	0	2	2
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	1	1
£135,000 - £139,999	0	0	0	0	1	1
£140,000 - £144,999	0	0	0	0	0	0
£145,000 - £149,999	0	1	1	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	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18 £000s	2018-19 £000s
£0 - £20,000	43	81	164	95	207	176	1,162	1,041
£20,001 - £40,000	12	9	22	7	34	16	999	414
£40,001 - £60,000	2	1	5	1	7	2	332	108
£60,001 - £80,000	0	0	6	2	6	2	391	127
£80,001 - £100,000	0	0	3	0	3	0	258	0
Over £100,000	0	0	0	0	0	0	0	0
Total	**57**	**91**	**200**	**105**	**257**	**196**	**3,142**	**1,690**

The Council terminated the contracts of a number of employees in 2018-19, incurring liabilities of £1.690m (£3.142m in 2017-18). The total is payable to 196 officers from Service departments who were made redundant as part of the Council's rationalisation of these Services.

20. 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 non-audit services provided by the Council's external auditors

	2017-18 £000s	2018-19 £000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	128	98
Fees payable to external auditors for additional services	0	0
Fees payable to external auditors for the certification of grant claims and returns for the year	16	9
Total	**144**	**107**

21. Dedicated Schools Grant

Education authorities in England are required by the Accounts and Audit Regulations 2015 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 primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped 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 and Early Years Finance (England) Regulations 2018. 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:

	2017-18 Total £000s	2017-18 Central Expenditure £000s	2017-18 Individual Schools Budget £000s	2018-19 Total £000s	2018-19 Central Expenditure £000s	2018-19 Individual Schools Budget £000s
Final DSG for the financial year (before Academy recoupment)	(580,741)			(600,391)		
Academy figure recouped	277,032			321,475		
Total DSG (after Academy recoupment)	(303,709)			(278,916)		
Plus: Brought forward from the previous year	2,578			8,087		
Less: Carry forward to next financial year agreed in advance	0			0		
Agreed initial budgeted distribution in the year	(301,131)	(29,835)	(271,296)	(270,829)	(29,762)	(241,067)
In year adjustments	0	0	0	0	0	0
Final budget distribution for the year	(301,131)	(29,835)	(271,296)	(270,829)	(29,762)	(241,067)
Less: Actual central expenditure	37,922	37,922	0	40,649	40,649	0
Less: Actual ISB deployed to schools	271,296	0	271,296	241,067	0	241,067
Plus Council contribution for the year	0	0	0	0	0	0
Carry forward to next financial year	**8,087**	**8,087**	**0**	**10,887**	**10,887**	**0**

The deficit position is due to pressure on the high needs block.

Supporting the Movement in Reserves Statement

22. 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 arrive at 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.

2018-19	Usable Reserves		
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account
	£000s	£000s	£000s
Adjustments to Revenue Resources:			
Pension Costs (transferred to/from the Pension Reserve)	75,849		
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	19		
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	1,131		
Holiday Pay (transferred to the Accumulated Absences Reserve)	(2,148)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	59,340		27,968
Total Adjustment to Revenue Resources	**134,191**	**0**	**27,968**
Adjustments between Revenue and Capital Resources:			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,891)	5,891	
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)	46	(46)	
Statutory provision for the repayment of debt	(4,388)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,923)		
Total Adjustments between Revenue and Capital Resources	**(12,156)**	**5,845**	**0**
Adjustments to Capital Resources:			
Use of the Capital Receipts reserve to finance capital expenditure		(6,840)	
Long term debtor repayments in year		903	
Application of capital grants to finance capital expenditure			(21,915)
Total Adjustments to Capital Resources	**0**	**(5,937)**	**(21,915)**
Total Adjustments in 2018-19	**122,035**	**(92)**	**6,053**

2017-18

	Usable Reserves		
	General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**
	£000s	**£000s**	**£000s**
Adjustments to Revenue Resources:			
Pension Costs (transferred to/from the Pension Reserve)	59,662		
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	18		
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	(685)		
Holiday Pay (transferred to the Accumulated Absences Reserve)	(108)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	64,644		31,445
Total Adjustment to Revenue Resources	**123,531**	**0**	**31,445**
Adjustments between Revenue and Capital Resources:			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,563)	1,563	
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)	33	(33)	
Statutory provision for the repayment of debt	(1,804)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(500)		
Total Adjustments between Revenue and Capital Resources	**(3,834)**	**1,530**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts reserve to finance capital expenditure		(6,751)	
Long term debtor repayments in year		1,017	
Application of capital grants to finance capital expenditure			(72,051)
Total Adjustments to Capital Resources	**0**	**(5,734)**	**(72,051)**
Total Adjustments in 2017-18	**119,697**	**(4,204)**	**(40,606)**

23. Transfers to/from earmarked reserves

The table shows each of the Council's earmarked reserve accounts where the balance is in excess of £0.5m either on 31 March 2018 or 31 March 2019. Descriptions of each of these earmarked reserves follow the table.

	Balance at 31 March 2017	Transfers in 2017-18	Transfers out 2017-18	Balance at 31 March 2018	Transfers in 2018-19	Transfers out 2018-19	Balance at 31 March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LMS Balances	13,954	20,124	(28,201)	5,877	18,801	(22,661)	2,017
Adult Social Care Residential Review	0	809	0	809	332	(25)	1,116
Building Maintenance	5,231	647	(1,702)	4,176	83	(1,094)	3,165
Business Risk Reserve (ASC)	4,911	4,500	(4,911)	4,500	3,417	(838)	7,079
Business Risk Reserve (General)	0	3,671	0	3,671	3,143	(4,457)	2,357
Economic Development and Tourism	2,553	560	(1,121)	1,992	448	(329)	2,111
Highways Maintenance	5,520	2,569	(2,293)	5,796	1,739	(1,006)	6,529
Income Reserve	274	95	(12)	357	322	(2)	677
Information Technology	3,954	602	(1,444)	3,112	1,038	(429)	3,721
Insurance Reserve	3,380	468	(3,061)	787	3,548	(1,416)	2,919
Norfolk Infrastructure Fund	1,711	885	(2,596)	0	0	0	0
Norwich Schools PFI Sinking Fund	2,418	0	(2,418)	0	0	0	0
Organisational Change and Redundancy Reserve	5,949	1,633	(2,587)	4,995	987	(1,815)	4,167
Prevention Fund	476	629	(393)	712	799	(586)	925
Repairs and Renewals Fund	4,037	842	(1,841)	3,038	555	(456)	3,137
Schools Non-Teaching Activities	733	1,024	(1,027)	730	579	(1,186)	123
Strategic Ambitions Reserve	595	0	(7)	588	0	(420)	168

	Balance at 31 March 2017	Transfers in 2017-18	Transfers out 2017-18	Balance at 31 March 2018	Transfers in 2018-19	Transfers out 2018-19	Balance at 31 March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Street Lighting PFI Sinking Fund	5,322	3,085	(3,355)	5,052	3,729	(4,073)	4,708
Unspent Grants and Contributions	10,364	20,512	(4,201)	26,675	9,426	(9,547)	26,554
Waste Management Partnership	950	0	(81)	869	5	(22)	852
Other earmarked reserves	2,855	648	(1,080)	2,423	892	(286)	3,030
TOTAL	**75,187**	**63,303**	**(62,331)**	**76,159**	**49,843**	**(50,647)**	**75,355**

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 Social Care Residential Review

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

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 the Council 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.

Business Risk Reserve (ASC)

This reserve is ear marked for Adult Social Services and provides flexibility in managing key budget risks in the service.

Business Risk Reserve (General)

This reserve has been created during the year to provide flexibility with managing all service budget risks and to mitigate the level of savings to be found in future years.

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.

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.

Income Reserve

This reserve is used in services to support unexpected income shortfalls in future years, such as bad weather or partial closure of museums during refurbishment.

Information Technology

Monies 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.

Norfolk Infrastructure Fund

This reserve was set up to support infrastructure projects across the county.

Norwich Schools PFI Sinking Fund

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

Organisational Change and Redundancy Reserve

This reserve was created to provide funding to support and invest in transformational change e.g. shared services, and to fund redundancy costs.

Prevention Fund

This reserve is intended to be used to fund projects and activities that support people to remain independent for as long as possible, and improve quality of life and outcomes.

Repairs and Renewals Fund

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

Schools Non-Teaching Activities

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

Strategic Ambitions Reserve

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

Street Lighting PFI Sinking Fund

This reserve was created as a result of the Street Lighting PFI scheme and reflected receipt of government PFI grant needed 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.

Other Earmarked Reserves

These mainly comprise various reserves held in respect of initiatives commenced in previous years for which remaining planned financial provision will be utilised in 2019-20 or future years as initiatives are completed. All balances on each of these reserves as at 31 March 2018 and 31 March 2019 are below £0.5m.

Supporting the Balance Sheet

24. Property, Plant and Equipment

Movements in 2018-19 on Council assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure assets £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 2018	747,188	57,818	1,154,807	13	67,665	24,249	**2,051,740**	46,263
Additions	11,420	8,003	65,466	0	36,448	85	**121,422**	1,685
Revaluation increases/(decreases):								
- to Revaluation reserve	13,789	0	0	0	0	1,542	**15,331**	(8)
- to surplus or deficit on provision of services	(6,702)	0	0	0	0	(20)	**(6,722)**	25
Derecognition - disposals	(69,225)	(8,812)	(1,685)	0	0	(40)	**(79,762)**	(1,685)
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	(1,704)	**(1,704)**	0
Reclassifications and transfers	11,702	224	57,973	(13)	(68,744)	(1,352)	**(210)**	0
At 31 March 2019	**708,172**	**57,233**	**1,276,561**	**0**	**35,369**	**22,760**	**2,100,095**	**46,280**
Accumulated Depreciation and Impairment								
At 1 April 2018	95,502	33,201	284,175	0	0	12,471	**425,349**	4,416
Depreciation charge	16,562	6,074	32,522	0	0	397	**55,555**	1,203
Depreciation written out to Revaluation reserve	(3,532)	0	0	0	0	(8)	**(3,540)**	(9)
Depreciation written out on revaluation to surplus or deficit on provision of services	(1,829)	0	0	0	0	0	**(1,829)**	(16)
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(1,748)	0	0	0	0	0	**(1,748)**	0
- the surplus or deficit on provision of services	8,894	0	0	0	0	85	**8,979**	0
Derecognition - disposals	(5,468)	(8,109)	(1,685)	0	0	(2)	**(15,264)**	(1,685)
Reclassifications and transfers	83	0	0	0	0	(545)	**(462)**	0
At 31 March 2019	**108,464**	**31,166**	**315,012**	**0**	**0**	**12,398**	**467,040**	**3,909**
Net Book Value:								
At 31 March 2019	**599,708**	**26,067**	**961,549**	**0**	**35,369**	**10,362**	**1,633,055**	**42,371**
At 31 March 2018	651,686	24,617	870,632	13	67,665	11,778	**1,626,391**	41,847

Movements in 2017-18 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 2017	786,342	57,035	962,643	13	138,781	20,530	1,965,344	52,041
Additions	8,257	5,738	64,042	0	115,097	1,364	194,498	1,101
Revaluation increases/(decreases):								
- to Revaluation reserve	27,389	0	0	0	0	(1,640)	25,749	(97)
- to surplus or deficit on provision of services	(9,142)	0	0	0	0	80	(9,062)	(5,559)
Derecognition - disposals	(113,123)	(6,957)	0	0	0		(120,080)	(1,223)
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	(3,353)	(3,353)	0
Reclassifications and transfers	47,465	2,002	128,122	0	(186,213)	7,268	(1,356)	0
At 31 March 2018	**747,188**	**57,818**	**1,154,807**	**13**	**67,665**	**24,249**	**2,051,740**	**46,263**
Accumulated Depreciation and Impairment								
At 1 April 2017	83,682	33,275	256,601	0	0	11,329	384,887	4,953
Depreciation charge	18,676	5,840	27,574	0	0	39	52,129	1,275
Depreciation written out to Revaluation reserve	(6,029)	0	0	0	0	(202)	(6,231)	(82)
Depreciation written out on revaluation to surplus or deficit on provision of services	(9,748)	0	0	0	0	(108)	(9,856)	(274)
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	1,834	0	0	0	0	(40)	1,794	0
- the surplus or deficit on provision of services	13,728	0	0	0	0	1,438	15,166	0
Derecognition - disposals	(6,302)	(5,905)	0	0	0	0	(12,207)	(233)
Reclassifications and transfers	(339)	(9)	0	0	0	15	(333)	(1,223)
At 31 March 2018	**95,502**	**33,201**	**284,175**	**0**	**0**	**12,471**	**425,349**	**4,416**
Net Book Value:								
At 31 March 2018	**651,686**	**24,617**	**870,632**	**13**	**67,665**	**11,778**	**1,626,391**	**41,847**
At 31 March 2017	702,660	23,760	706,042	13	138,781	9,201	1,580,457	47,088

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 Council owns some listed buildings which have been allocated useful lives up to 99 years.

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

Buildings	1 - 60 years
Vehicles, plant, furniture and equipment	1 - 20 years
Infrastructure	12 - 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 £55,555m (£52.129m in 2017-18).

Capital commitments

The Council's forward capital programme as at 31 March 2019 totals £617.6m for the years 2019-20 to 2021-23 and beyond. Of this total £363.0m relates to the estimated future payments on schemes in progress before 31 March 2019, with the total of new schemes totalling £254.5m.

In comparison, the revised programme in 2017-18 totalled £471.7m for the years 2018-19 to 2020-21 and beyond. Of this total, £234.4m related to the estimated future payments on schemes started before 31 March 2018.

At 31 March 2019, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2019-20 and future years on schemes listed in the table below. Similar commitments at 31 March 2018 were £49.8m.

The major commitments are:

Service/Scheme	**Contract Completion**	**£000s**
Children's Services schools projects:		
Roydon Primary School	2019-20	1,543
North Denes New School	2019-20	6,940
North Lynn, Lynnsport	2019-20	6,449
Hillcrest primary	2019-20	1,001
Sprowston New Primary	2019-20	4,465
Social Care		
Social Care information system implementation	2019-20	1,876
Community and Environmental Services		
Better Broadband for Norfolk	2021-22	19,700
Finance and Commercial Services		
County Hall refurbishment	2019-20	1,250
Technology Improvements	2020-21	10,203
		53,427

In addition to the above, the Council has three major on-going contract arrangements for highways maintenance and construction, highways design and professional services, and traffic signals maintenance and improvement. The

Council also uses a number of contracts frameworks for the delivery of highways schemes. The total Highways capital budget for 2019-22 at 31 March 2019 was £142.7m, including £10.2m in respect of the Great Yarmouth Third River Crossing.

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. Valuations of land and buildings 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:

- 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.
- Property leases have been split between finance and operating leases and valued accordingly.
- Investment Property have been valued at fair value.
- Assets held for Sale 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	-	26,067	961,549	0	-
Valued at current value in:					
2018-19	112,259	-	-	-	1,455
2017-18	305,300	-	-	-	3,422
2016-17	153,090	-	-	-	1,553
2015-16	22,893	-	-	-	3,932
2014-15	6,166	-	-	-	
Total	**599,708**	**26,067**	**961,549**	**0**	**10,362**

In addition to the five year rolling programme of revaluations, the Council's valuers undertake an annual review of the current property valuations to ensure that they are materially accurate for inclusion in the statement of accounts.

Surplus Assets

Of the Council's Surplus Assets at 31 March 2019 assets valued at £8.298m have been assessed as Level 3 for valuation purposes, with the remainder assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 26 below.

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) categorised within level 3 of Fair Value Hierarchy:

	2018-19
	£000s
Opening balance	**8,580**
Transfers into Level 3	356
Transfers out of Level 3	(1,376)
Revaluation gains/(losses) - revaluation reserve	746
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(8)
Closing Balance	**8,298**

Recognition of school assets

The Council has continued to recognise community and voluntary controlled (VC) schools alongside the playing fields of voluntary aided (VA) schools on the balance sheet for 2018-19, based on an assessment of the control of the economic benefits and service potential of these assets.

Voluntary aided school, foundation school and academy assets remain outside the Council's accounts. When a Community or VC schools changes status to one of these categories, a "derecognition – disposal" is shown above in the Movement in Council Assets.

25. 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 2018	6,070	634	**6,704**
Revaluations	465	0	**465**
At 31 March 2019	**6,535**	**634**	**7,169**
	£000s	£000s	**£000s**
Cost or valuation			
1 April 2017	5,144	634	**5,778**
Revaluations	926	0	**926**
At 31 March 2018	**6,070**	**634**	**6,704**

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

Windmills and Windpumps

The majority of the Council’s significant Heritage Assets, by value, are windmills, watermills and drainage mills of historic interest. 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.

Due to the unique nature of the windmills and windpumps, valuations for the purposes of the statement of accounts are based on insurance schedules for the assets. The carrying amounts are reviewed annually against the insurance schedules for these items and where there is a movement in the valuation, this is treated in accordance with the general policies on revaluation and impairment of Property, Plant and Equipment.

Other Heritage Assets

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. 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.

- Museums Collections

  Through a Joint Committee established under delegated powers by the County and District Councils in Norfolk, the Norfolk Museums Service runs museums throughout the County. Most of the collections and related buildings are owned by the relevant district councils. The only collections owned by the Council are at Gressenhall Farm and Workhouse, and a small number of artworks at County Hall, Norwich.

- Document and Archive Collections

  The Norfolk Record Office (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. A small number of items that have been acquired since 1 April 2010 have a recorded value and are therefore included on the Balance Sheet.

- 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.

26. Investment Properties

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

	2017-18 £000s	2018-19 £000s
Rental income from investment property	(507)	(368)
Direct operating expenses arising from investment property	0	0
(Gains)/Losses on changes in fair value	38	337
Net (gain)/loss	**(469)**	**(31)**

Investment properties represent agricultural land with development potential, and the Norwich Airport Industrial Estate. There are no inherent restrictions on the sale of the land, but its ownership is related to long term objectives of, over time, generating income for the County Council at a time when public funding is scarce, whether recurring or as a capital receipt. The industrial estate is jointly owned by Norfolk County Council and Norwich City Council.

The Council incurs no direct costs in respect of the industrial estate, where income is received net of direct operating expenses, nor the other investment properties due to its nature as agricultural land.

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

	2017-18	2018-19
	£000s	£000s
Balance at the start of the year	**21,884**	**21,529**
Additions	0	0
Disposals	(317)	0
Net gains/(losses) from fair value investments	(38)	(337)
Balance at the end of the year	**21,529**	**21,192**

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 and Level 3 for valuation purposes (see Note 1 Section ix) for explanation of fair value levels).

	Significant observable inputs (level 2) £000s	Significant unobservable inputs (level 3) £000s	Fair value 31 March 2019 £000s
Industrial estate	981	10,456	11,437
Agricultural land with development potential	0	9,755	9,755
	981	**20,211**	**21,192**

Of the net gains/(losses) from fair value investments in 2018-19, (£0.337m) relates to fair value measurements categorised within Level 3 of the fair value hierarchy (£0.026m in 2017-18).

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) categorised within level 3 of Fair Value Hierarchy:

	Industrial estate	**Agricultural land with development potential**	**Total 2019**
	£000s	**£000s**	**£000s**
Opening balance	9,478	10,090	19,568
Transfers into Level 3 from level 2	980	0	980
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(2)	(335)	(337)
Closing Balance	**10,456**	**9,755**	**20,211**

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

The fair value of investment property has been measured using a market approach, which takes into account the active local industrial rented property market, with yields chosen by comparison to similar transactions adjusted to allow for factors such as lease terms, strength of covenant, rent review periods and other lease clauses, voids, etc.

There are significant observable inputs, including physical inspection of location, size, facilities etc., general repair and condition together with yield evidence from comparable transactions.

Valuation techniques used to determine Level 3 fair values for Investment Properties

For land with development potential, valuations have been based on comparable transactions to calculate a gross development costs and gross development values to arrive at a residual land value. The following factors have been also been taken into account: location and topography, title and legal constraints, and ground conditions.

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

Highest and best use of Investment Properties

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

Valuers

The investment property portfolio has been valued by NPS Property Consultants Limited in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

27. Financial Instruments

Reclassification and Remeasurement of financial assets as at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS9 Financial Instruments by the Code and the remeasurements of carrying amounts then required. This note then shows how the new balances at 1 April 2018 are incorporated into the Balance Sheet.

		New Classifications at 1 April 2018		Non financial instrument balances	Total Balance Sheet carrying amount
	Carrying amounts brought forward at 1 April	**Amortised Cost**	**Fair Value through Other Comprehensive Income**		
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Previous Classifications:					
Loans and receivables	231,568	231,568	0		
Available for Sale	1,238	0	1,238		
Non-financial instrument	11,964	11,964	0		
Reclassified amounts		**243,532**	**1,238**		
Remeasurements		0	2,036		
Remeasured carrying amounts		**243,532**	**3,274**		
Long Term Investments		11,964	3,274	0	15,238
Long Term Debtors		70,141	0	0	70,141
Short Term Investments		72,000	0	0	72,000
Short Term Debtors		75,036	0	44,189	119,225
Cash and Cash Equivalents		14,391	0	0	14,391

The following judgements were made in reclassifying financial instruments at 1 April 2018

- Shares with a carrying amount of £1.238m were reclassified from available for sale to fair value through other comprehensive income and subsequently revalued. The Council applied its discretion to designate the equity instruments as fair value through other comprehensive income rather than fair value through profit and loss. There has been no impact on the General Fund and the gain from revaluation has been taken to a newly created unusable reserve, the Financial Instrument Revaluation Reserve.
- The interest in subsidiary companies (£11.964m) is recognised as a financial instrument following the introduction of IFRS 9. These companies are consolidated into the Council's group accounts and the Council has applied its discretion to classify the equity instruments as Amortised Cost.

Financial Instruments

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

	Long Term		Short Term	
	31 March 2018 Restated* £000s	31 March 2019 £000s	31 March 2018 Restated* £000s	31 March 2019 £000s
Investments:				
Amortised Cost	11,964	11,964	72,000	34,683
Fair Value through Other Comprehensive Income	1,238	2,439	0	0
Total Financial Assets	**13,202**	**14,403**	**72,000**	**34,683**
Non-financial assets	0	0	0	0
Total Investments	**13,202**	**14,403**	**72,000**	**34,683**
Debtors:				
Amortised Cost	70,141	72,353	75,036	91,075
Total Financial Assets	**70,141**	**72,353**	**75.036**	**91,075**
Non-financial assets	0	0	44,189	78,346
Total Debtors	**70,141**	**72,353**	**119,225**	**169,421**
Cash and Cash equivalents:				
Amortised Cost	0	0	14,391	67,878
Total Financial Assets	**0**	**0**	**14,391**	**67,878**
Non-financial assets	0	0	0	0
Total Cash and cash equivalents	**0**	**0**	**14,391**	**67,878**
Borrowings:				
Amortised Cost	527,740	620,751	14,226	13,689
Total Financial Liabilities	**527,740**	**620,751**	**14,226**	**13,689**
Non-financial Liabilities	0	0	0	0
Total Borrowings	**527,740**	**620,751**	**14,226**	**13,689**
Other short/long term liabilities:				
Amortised Cost	53,679	50,083	1,893	1,602
Total Financial Liabilities	**53,679**	**50,083**	**1,893**	**1,602**
Non-financial Liabilities	1,184,646	1,427,290	0	0
Total Other Short/Long Term Liabilities	**1,238,325**	**1,477,373**	**1,893**	**1,602**
Creditors:				
Amortised Cost	0	0	115,792	135,689
Total Financial Liabilities	**0**	**0**	**115,792**	**135,689**
Non-financial Liabilities	0	0	44,478	26,285
Total Creditors	**0**	**0**	**160,270**	**161,974**

*The 2017-18 figures have been rested according to the new categories of financial assets as follows:

- The long term investment classified as Fair Value through other Income and Expenditure was previously classified as Available for Sale,
- The Amortised cost long term investment was previously excluded from financial instruments,
- All other financial assets were previously classified as Loans and Receivables.

Interest due to be paid or received within the next 12 months in respect of both long and short term loans and investments is shown within the short term columns in the table above

Soft Loans made by the Council

The Council have deferred payment agreements made prior to 1 April 2015 where residential care clients 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 includes an interest element based on the average rate of interest payable on the Council's debt for the year (4.76%). From 1 April 2015 the Council created a Deferred Payments Scheme as required by the Care Act 2014. This scheme includes an interest charge at market rate, therefore any new agreements are not soft loans.

The Council makes loans for car purchase to 76 employees in the authority who are in posts that require them to drive regularly on the Council's business. Interest is charged on the loans at 1% plus Bank of England Base Rate but the Council assesses that an unsubsidised rate for such loans would have been 2.5% plus Bank of England Base Rate.

Investments in Equity Instruments designated at Fair Value through Other Comprehensive Income

The Council holds shares in Norwich Airport and in two other companies associated with the Airport (Legislator 1656 and Legislator 1657) which originated through a policy initiative with other authorities to promote economic generation and tourism. As the asset is not held for trading or income generation, rather a longer term policy initiative, the equity has been designated as fair value through other comprehensive income.

The Council's investment of £11.964m in Norse Group Ltd remains at amortised cost as the company is included in the Council's group accounts.

None of the companies are quoted on the stock exchange.

	Nominal Value	Fair Value	Increase/ (Decrease) in Fair Value	Dividends Paid*
	31 March 2019	31 March 2019	2018-19	2018-19
	£000s	£000s	£000s	£000s
Non-listed securities:				
Norwich Airport	1,236	390	0	0
Legislator 1656	1	2,049	835	833
Legislator 1657	1	0	0	0
Total	**1,238**	**2,439**	**(835)**	**833**

* The dividend from Legislator 1656 has been treated as a capital receipt in the accounts as it relates to a deferred payment on the sale of shares in 2004.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows. All entries are within Financing and Investment income within the Surplus or Deficit on the Provision of Services.

	2017-18 Restated* £000s	**2018-19 £000s**
Net (gains)/losses on:		
Financial liabilities measured at amortised cost	(55)	(62)
Total net (gains)/losses	**(55)**	**(62)**
Interest revenue:		
Financial assets measured at amortised cost	(2,441)	(2,221)
Total interest revenue	**(2,441)**	**(2,221)**
Interest expense:		
Financial assets measured at amortised cost	32,151	30,688
Total interest expense	**32,151**	**30,688**
Net (gain)/loss for the year	**29,655**	**28,405**

*The 2017-18 figures have been rested according to the new categories of financial assets. All financial assets measured at amortised cost were previously classified as Loans and Receivables.

Fair Values of Financial Assets

Some of the Council's financial assets are measure at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 1 April 2018 £000s**	**As at 31 March 2019 £000s**
Fair Value through Other Comprehensive Income				
Norwich Airport	Level 3	Earnings Based Valuation	390	390
Legislator 1656	Level 3	Adjusted Net Assets Valuation	2,884	2,049
Legislator 1657	Level 3	Adjusted Net Assets Valuation	0	0
Total			**3,274**	**2,439**

The Council's shareholding in Norwich Airport and Legislator companies are not traded in an active market. The fair value of £2.439m has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made by an independent third party based on an analysis of the assets and liabilities in the companies' latest audited accounts.

There have been no transfers between levels of the Fair Value Hierarchy and no changes in valuation techniques used during the year.

Fair Values of Financial Assets and Financial Liabilities (not measured at Fair Value but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the Council are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These valuations are all classified as Level 2, where market prices are not available, with valuation techniques using inputs based significantly on observable market data. The following assumptions should be noted:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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.

The fair values calculated are as follows:

Financial Liabilities	**31 March 2018**		**31 March 2019**	
	Carrying amount £000s	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
PWLB debt	496,740	790,438	589,360	927,506
Non PWLB debt	45,226	71,612	45,080	72,632
PFI and finance lease liabilities	55,572	98,720	51,685	86,246
Short term creditors	115,792	115,792	135,689	135,689
Total	**713,330**	**1,076,562**	**821,814**	**1,222,073**

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.

The fair value of PWLB loans of £927.506m measures the economic effect of the terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

Financial Assets	31 March 2018		31 March 2019	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Investments	72,000	72,000	34,683	34,683
Cash and cash equivalents	14,391	14,391	67,878	67,878
Long term debtors	70,141	70,141	72,353	72,353
Short term debtors	75,036	75,036	91,075	91,075
Total	**231,568**	**231,568**	**265,989**	**265,989**

The fair value of the assets does not differ from the carrying amount as the investments, cash and debtors are carried at cost as this is a fair approximation of their value.

The long-term investment classified as Amortised Cost has not been included in the table above. This is because as the Council has no immediate plans to sell its subsidiaries, the Council believes that the cost of obtaining valuations for these investments would be disproportionate to the benefits to users of the financial statements.

28. 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 trade customer 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 and business rates. The total for other receivables includes employee car loans.

	Long Term Debtors		Short Term Debtors	
	31 March 2018 Restated* £000s	31 March 2019 £000s	31 March 2018 Restated* £000s	31 March 2019 £000s
Trade Customers	3,235	3,391	99,612	117,751
Subsidiaries	19,894	19,389	3,704	3,817
Other Receivables	47,013	49,573	2,465	3,081
Prepayments	0	0	13,444	44,772
	70,141	**72,353**	**119,225**	**169,421**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

29. Cash and Cash Equivalents

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

	31 March 2018 £000s	31 March 2019 £000s
Cash and Bank balances	(8,488)	(5,584)
Short term deposits with the Money Market	22,879	73,462
	14,391	**67,878**

30. Assets Held for Sale

Current Assets	2017-18 £000s	2018-19 £000s
Balance outstanding at start of year	**1,183**	**3,555**
Assets newly classified as held for sale:		
• Property plant and equipment	3,353	1,704
Assets sold	(977)	(4,284)
Other Movements	(4)	(382)
Balance outstanding at year end	**3,555**	**593**

Fair value hierarchy

Of the Council's assets held for sale at 31 March 2019 one asset, valued at £0.574m, has been assessed as Level 3 for valuation purposes. All other assets held for sale, and all those held at 31 March 2019 have been assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 26.

31. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The trade payables figure includes the Council's share of the creditor balances, as advised by the District Councils, in relation to the collection of council tax and business rates.

	Short Term Creditors	
	31 March 2018 Restated* £000s	**31 March 2019 £000s**
Trade Payables	130,266	125,905
Subsidiaries	8,201	9,426
Other Payables	18,946	22,658
Receipts in advance	2,857	3,985
	160,270	**161,974**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

32. 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:

	Insurance	Landfill Provision	Redundancy	Other Provisions	Total
	£000s	£000s	£000s	£000s	£000s
Balance at the start of the year	10,995	12,357	289	3,191	**26,832**
Additional provisions made in 2018-19	1,187	605	113	1,357	**3,262**
Amounts used in 2018-19	(2,872)	(600)	(289)	(319)	**(4,080)**
Amounts reversed to revenue	0	0	0	(15)	**(15)**
Balance at the end of the year	**9,310**	**12,362**	**113**	**4,214**	**25,999**
Consists of:					
Current Provisions	2,410	0	113	4,214	**6,737**
Long Term Provisions	6,900	12,362	0	0	**19,262**
Total	**9,310**	**12,362**	**113**	**4,214**	**25,999**

Insurance

This is used to meet insurance claims funded by the Council. The County Council self funds the first £250,000 of every employers and public liabilities insurance claim, 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 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 was first recognised in the financial statements in 2012-13, balanced by an addition to Surplus Assets within Property, Plant and Equipment.

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.

Other Provisions

These include a provision relating to EU regulations in respect of Retained Fire Fighters; a provision for holiday pay for former Council employees where the employee is now employed by Norse Commercial Services Ltd; and a provision in respect of potential appeals on Business Rates administered by the District Councils.

33. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement with additional detail given in notes 22 and 23.

The General Fund Balance comprises:

	31 March 2018 £000s	31 March 2019 £000s
General Fund Reserve	19,536	19,623
Earmarked Reserves (Note 23 on page 61)	76,159	75,355
Total	**95,695**	**94,978**

34. Unusable Reserves

	31 March 2018 £000s	31 March 2019 £000s
Revaluation Reserve	231,688	225,535
Financial Instruments Revaluation Reserve	0	1,201
Capital Adjustment Account	733,863	707,956
Financial Instruments Adjustment Account	(2,786)	(2,804)
Pensions Reserve	(1,184,646)	(1,427,290)
Collection Fund Adjustment Account	8,019	6,888
Accumulated Absences Account	(10,047)	(7,899)
Total	**(223,909)**	**(496,413)**

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.

	2017-18 £000s	2018-19 £000s
Balance at 1 April	**229,814**	**231,688**
Upward revaluation of assets	47,039	25,632
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(15,928)	(4,547)
Surplus or (deficit) on revaluation of non current assets not posted to the Comprehensive Income and Expenditure Statement	31,111	21,085
Difference between fair value depreciation and historical cost depreciation	(6,728)	(6,566)
Accumulated gains on assets sold or scrapped	(22,509)	(20,672)
Amount written off to the Capital Adjustment Account	(29,237)	(27,238)
Balance at 31 March	**231,688**	**225,535**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Disposed of and the gains are realised.

	2018-19 £000s
Balance at 1 April	**0**
Opening Balance adjustments on reclassification	2,036
Adjusted Balance at 1 April	**2,036**
Downward revaluation of investments	(835)
Balance at 31 March	**1,201**

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

	2017-18 £000s	2018-19 £000s
Balance at 1 April	**720,624**	**733,863**
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	(67,295)	(64,154)
• Revaluation gains/(losses) on property, plant and equipment	676	(5,272)
• Movement in the fair value of investment properties	(38)	(337)
• Amortisation of intangible assets	(117)	(514)
• Revenue expenditure funded from capital under statute	(25,900)	(31,786)
• 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 11)	(109,170)	(68,783)
	(201,844)	(170,846)
Adjusting amounts written out of the Revaluation Reserve	29,237	27,238
Net written out amount of the cost of non current assets consumed in the year	(172,607)	(143,608)
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	751	2,000
• Use of capital receipts to repay the principal of amounts previously borrowed	6,000	4,840
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	105,755	83,538
• Application of grants to capital financing from the Capital Grants Unapplied Account	72,051	21,915

• Statutory provision for the financing of capital investment charged against the General Fund	787	3,484
• Capital expenditure charged against the General Fund	500	1,923
	185,844	117,700
Other Adjustments	2	1
Balance at 31 March	**733,863**	**707,956**

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 2019 will be charged to the General Fund on a straight line basis until May 2019.

	2017-18 £000s	2018-19 £000s
Balance at 1 April	**(2,768)**	**(2,786)**
Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(55)	(62)
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	44
Balance at 31 March	**(2,786)**	**(2,804)**

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 pays any pensions for which it is directly responsible. The 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.

	2017-18 £000s	2018-19 £000s
Balance at 1 April	**(1,192,426)**	**(1,184,646)**
Net remeasurements of the defined benefit liabilities and assets	67,442	(166,795)
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	(121,782)	(139,263)
Employers pensions contributions and direct payments to pensioners payable in the year	62,120	63,414
Balance at 31 March	**(1,184,646)**	**(1,427,290)**

Collection Fund Adjustment Account

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

	2017-18 £000s	2018-19 £000s
Balance at 1 April	**7,334**	**8,019**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	685	(1,131)
Balance at 31 March	**8,019**	**6,888**

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. The amount charged to the Comprehensive Income and Expenditure Statement is the difference between remuneration on an accruals basis and in accordance with statutory requirements.

	£000s	2017-18 £000s	£000s	2018-19 £000s
Balance at 1 April		**(10,155)**		**(10,047)**
Settlement or cancellation of accrual made at the end of the preceding year	10,155		10,047	
Amounts accrued at the end of the current year	(10,047)		(7,899)	
Amount charged to the Comprehensive Income and Expenditure Statement		108		2,148
Balance at 31 March		**(10,047)**		**(7,899)**

35. 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.

	2017-18	2018-19
	£000s	£000s
Opening Capital Financing Requirement	**697,717**	**738,008**
Capital Investment		
Property, plant and equipment	193,461	121,290
Intangible assets	1,517	1,389
Revenue expenditure funded from capital under statute	25,900	31,786
Loans	6,380	4,083
Sources of Finance		
Capital receipts	(6,751)	(6,840)
Government grants and other contributions	(177,806)	(105,453)
Sums set aside from revenue:		
Direct revenue contributions	(500)	(1,923)
Minimum Revenue Provision	(1,910)	(4,494)
Closing Capital Financing Requirement	**738,008**	**777,846**
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(1,910)	(4,494)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	42,201	44,332
Increase/(decrease) in Capital Financing Requirement	**40,291**	**39,838**

36. 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, Highways and ICT.

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

	31 March 2018	31 March 2019
	£000s	£000s
Land and buildings	9,274	9,166
Vehicles, plant and equipment	2,110	1,439
Heritage Assets	2,652	2,856
County Council Total	**14,036**	**13,461**

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 2018	31 March 2019
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	809	542
Non current	1,413	872
Finance costs payable in future years	147	79
Minimum lease payments	**2,369**	**1,493**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000s	£000s	£000s	£000s
Not later than one year	876	584	809	542
Later than one year and not later than five years	1,456	909	1,376	872
Later than five years	37	0	37	0
	2,369	**1,493**	**2,222**	**1,414**

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:

The Council uses leased vehicles and communication equipment financed under the terms of an operating lease.

The amount paid under these arrangements in 2018-19 was £1.353m (£1.372m in 2017-18).

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 2018-19 were £1.622m (£1.671m in 2017-18).

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

	31 March 2018 Restated*	31 March 2019
	£000s	£000s
Not later than one year	2,051	2,138
Later than one year and not later than five years	5,703	6,039
Later than five years	6,981	10,568
Total	**14,735**	**18,745**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.975m (£3.043m in 2017-18).

The Council as Lessor:

(i) Finance leases

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.

The Council also owns a number of other properties, including heritage assets, which have been leased out on finance leases for peppercorn rents.

(ii) 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 2018	31 March 2019
	£000s	£000s
Leases expiring within 1 year	2,891	3,959
Leases expiring within 2 to 5 years	9,074	12,441
Leases expiring after 5 years	10,471	11,898
	22,436	**28,298**

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.

37. PFI and similar contracts

At 31 March 2019, the Council had three 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 were 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. Since 2008 three of the schools, Taverham High, Heartsease Primary and Lionwood Junior, have converted to Academy status and Lakenham Primary has converted to Foundation status. The associated non-current assets have been removed from the Council's balance sheet.

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.

Property, Plant and Equipment

Subject to adjustments for schools which have transferred to academy status, the assets used to provide services in these 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 24.

Payments

The Council makes payments each year which are increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. Payments remaining to be made under the PFI contracts at 31 March 2019 (excluding any estimation of future inflation and availability/performance deductions) are as follows:

Payments due to be made under operational PFI and similar contracts

	Reimbursement of capital expenditure	**Payment for services**	**Interest**	**Total at 31 March 2019**	**Total at 31 March 2018**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Payable in 2019-20	1,060	7,765	4,476	**13,301**	14,257
Payable within 2-5 years	8,605	26,052	16,775	**51,432**	55,138
Payable within 6-10 years	20,682	27,993	14,723	**63,398**	71,093
Payable within 11-15 years	19,924	21,837	4,280	**46,041**	69,874
Total	**50,271**	**83,647**	**40,254**	**174,172**	**210,362**

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:

2018-19	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	**24,700**	**157**	**28,491**	**53,348**
Adjustment following change in accounting assumption	(607)	0	(950)	**(1,557)**
Payments during the year	(3,345)	(447)	(2,481)	**(6,273)**
Finance lease cost	2,424	70	2,259	**4,753**
Balance outstanding at year end	**23,172**	**(220)**	**27,319**	**50,271**

The negative Salt Barns PFI liability has arisen from a pre-payment of calculated finance lease rental payments which will reverse fully in 2019-20, prior to the contract ending in April 2020.

Comparatives for 2017-18	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	**25,369**	**408**	**28,425**	**54,202**
Payments during the year	(3,815)	(432)	(2,366)	**(6,613)**
Finance lease cost	3,146	181	2,432	**5,759**
Balance outstanding at year end	**24,700**	**157**	**28,491**	**53,348**

38. 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 the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2018-19 the Council recognised an impairment loss of £9.437m (£15.564m in 2017-18) in relation to capital expenditure incurred which does not result in a change to the value of the assets. Impairment reversals on revaluations total £0.838m (£0.398m in 2017-18).

39. Pension Schemes accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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 2018-19, the County Council paid £13.385m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017-18 were £16.265m and 16.48%. 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 40.

NHS Pension Scheme

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that scheme on transfer at 1 April 2013. The NHS scheme is an unfunded, defined benefit scheme, but is accounted for in the NHS as if it were a defined contribution scheme. 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 2018-19, the County Council paid £0.190m to the NHS Pension Scheme in respect of Public Health and Mental Health staff's retirement benefits, representing 14.38% of pensionable pay. The figures for 2017-18 were £0.189m and 14.38%. There were no contributions remaining payable at the year end.

40. Defined Benefit Pension Schemes

Participation in Pension 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 post employment schemes:

- The Local Government Pension Scheme (the Norfolk 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 West Yorkshire Pension Fund, 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. Details of the scheme are shown in the supplementary statement on page 112.

The Norfolk Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to Post-Employment Benefits

The Council recognises 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**	
	2017-18 £000s	**2018-19 £000s**	**2017-18 £000s**	**2018-19 £000s**
Comprehensive Income and Expenditure Statement:				
Cost of Services:				
Current service cost	94,630	83,620	7,100	7,000
Past service costs	619	10,492	0	14,300
(Gain)/loss from settlements	(10,740)	(7,989)	(1,200)	(700)
Financing and Investment Income and Expenditure:				
Net interest expense	22,773	22,840	8,600	9,700
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	107,282	108,963	14,500	30,300
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined pension liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(24,326)	(51,821)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	(3,400)	(26,100)
Actuarial (gains) and losses arising on changes in financial assumptions	(51,550)	224,053	(5,700)	26,200
Other (if applicable)	(3,266)	3,663	20,800	(9,200)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	28,140	284,858	26,200	21,200

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	(107,282)	(108,963)	(14,500)	(30,300)
Actual amount charged against the General Fund balance for pensions for the year:				
Employers contributions payable to the scheme*	56,020	57,114		
Retirement benefits payable to pensioners			6,100	6,300

*(includes contributions in respect of unfunded benefits)

The 2018-19 past service costs includes £18.085m for the estimated impact of the recent McCloud ruling and £6.397m for the estimated impact of GMP indexation changes.

<u>McCloud ruling</u>

When the LGPS and Fire Pension Scheme benefit structures were reformed, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 for LGPS, and 1 April 2015 for Fire, by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government’s application for leave to appeal to the Supreme Court was refused.

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

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

Both Fund’s actuaries have adjusted GAD’s estimate to better reflect the Norfolk Pension Fund’s local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Norfolk County Council is that total liabilities (i.e. the increase in active members’ liabilities expressed in terms of the employer’s total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £5.185m for LGPS and £12.900m for the Fire Pension Fund.

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

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

Guaranteed Minimum Pension (GMP)

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

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

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

The estimate as it applies to Norfolk County Council is that total liabilities could increase by approximately £4.997m for LGPS and £1.400m for Fire at 31 March 2019.

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

Pensions assets and liabilities recognised in the Balance Sheet

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

	Funded liabilities: Local Government Pension Scheme		**Unfunded liabilities: Fire Fighters Pension Scheme**	
	2017-18	**2018-19**	**2017-18**	**2018-19**
	£000s	**£000s**	**£000s**	**£000s**
Present value of the defined benefit obligation	(2,666,055)	(2,984,597)	(351,200)	(366,100)
Fair value of plan assets	1,832,609	1,923,407	0	0
Net liability arising from defined benefit obligation	**(833,446)**	**(1,061,190)**	**(351,200)**	**(366,100)**

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2017-18	**2018-19**	**2017-18**	**2018-19**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April	**2,633,029**	**2,666,055**	**331,100**	**351,200**
Current service cost	94,630	83,620	7,100	7,000
Interest cost	68,715	72,112	8,600	9,700
Contributions by scheme participants	13,657	13,720	1,500	1,600
Remeasurement (gains) and losses:				
Actuarial gains and losses arising on changes in demographic assumptions	0	0	(3,400)	(26,100)
Actuarial gains and losses arising on changes in financial assumptions	(51,550)	224,053	(5,700)	26,200
Other (if applicable)	(3,266)	3,663	20,800	(9,200)
Past service costs	619	10,492	0	14,300
Losses/(gains) on curtailments	(20,055)	(16,590)	(1,200)	(700)
Benefits paid	(69,724)	(72,528)	0	0
Pension and lump sum expenditure	0	0	(7,600)	(7,900)
Balance at 31 March	**2,666,055**	**2,984,597**	**351,200**	**366,100**

Reconciliation of the movements in the fair value of the scheme assets:

	Local Government Pension Scheme	
	2017-18	**2018-19**
	£000s	**£000s**
Opening fair value of scheme assets	**1,771,703**	**1,832,609**
Interest income	45,942	49,272
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	24,326	51,821
Employer contributions	56,020	57,114
Contributions from employees into the scheme	13,657	13,720
Benefits paid	(69,724)	(72,528)
Other (gain/loss from settlements)	(9,315)	(8,601)
Balance at 31 March	**1,832,609**	**1,923,407**

Local Government Pension Scheme Assets comprised:

Asset Category	Period ended 31 March 2018				Period ended 31 March 2019			
	Quoted prices in active markets	Quoted prices not in active markets	**Total**	**Percentage of Total Assets**	Quoted prices in active markets	Quoted prices not in active markets	**Total**	**Percentage of Total Assets**
	£000s	£000s	**£000s**	**%**	£000s	£000s	**£000s**	**%**
Equity Securities:								
Consumer	120,492	-	120,492	7%	119,225	-	119,225	6%
Manufacturing	102,763	-	102,763	6%	98,497	-	98,497	5%
Energy and Utilities	32,700	-	32,700	2%	43,061	-	43,061	2%
Financial Institutions	102,235	-	102,235	6%	104,286	-	104,286	5%
Health and Care	33,580	-	33,580	2%	46,287	-	46,287	2%
Information Technology	57,467	-	57,467	3%	94,122	-	94,122	5%
Other	-	-	-	0%	67	-	67	0%
Debt Securities:								
Corporate Bonds (investment grade)	-	-	-	0%	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	27,585	-	27,585	2%	22,042	-	22,042	1%
Private Equity:								
All	-	101,244	101,244	6%	-	118,746	118,746	6%
Real Estate:								
UK Property	-	160,762	160,762	9%	-	190,393	190,393	10%
Overseas Property	-	26,354	26,354	1%	-	36,750	36,750	2%
Investment Funds and Unit Trusts:								
Equities	490,633	-	490,633	27%	330,963	-	330,963	17%
Bonds	507,099	-	507,099	28%	665,990	-	665,990	35%

Asset Category	Period ended 31 March 2018				Period ended 31 March 2019			
	Quoted prices in active markets	Quoted prices not in active markets	**Total**	**Percentage of Total Assets**	Quoted prices in active markets	Quoted prices not in active markets	**Total**	**Percentage of Total Assets**
	£000s	£000s	**£000s**	**%**	£000s	£000s	**£000s**	**%**
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rates	-	-	-	0%	-	-	-	0%
Foreign Exchange	2,795	-	2,795	0%	(530)	-	(530)	0%
Other	(1,391)	-	(1,391)	0%	5,489	-	5,489	0%
Cash and Cash equivalents:								
All	-	68,289	68,289	4%	-	48,019	48,019	2%
Totals	**1,475,959**	**356,650**	**1,832,609**	**100%**	**1,529,499**	**393,908**	**1,923,407**	**100%**

Note: The percentages in the table above have been rounded to whole figures. As a result, the sum of the individual values may not equal the total

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 most recent actuarial valuation of the scheme.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2017-18	**2018-19**	**2017-18**	**2018-19**
Mortality assumptions:				
Longevity at 65 (60 for Fire fighters scheme) for current pensioners:				
• Men	22.1	22.1	28.6	27.3
• Women	24.4	24.4	31.0	29.4
Longevity at 65 (60 for Fire fighters scheme) for future pensioners:				
• Men	24.1	24.1	29.7	28.4
• Women	26.4	26.4	32.2	30.6
Rate of inflation	3.4%		3.4%	3.5%
Rate of increase in salaries	2.7%	2.8%	3.4%	3.5%
Rate of increase in pensions	2.4%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%	2.7%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<u>Local Government Pension Scheme:</u>

Change in assumptions at 31 March 2019	**Approximate % increase to employer liability**	**Approximate monetary amount**
		£000s
0.5% decrease in real discount rate	10%	311,531
0.5% increase in the salary increase rate	1%	37,297
0.5% increase in the pension increase rate	9%	269,566

The Council's actuaries estimate that a one year increase in life expectancy would approximately increase the scheme liabilities (defined benefit obligation) by around 3%-5% (approximate monetary amount £89.538m - £149.230m).

Fire Fighters Pension Scheme

Change in assumptions at 31 March 2019	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	10%	33,417
1 year increase in member life expectancy	3%	10,496
0.5% increase in the salary increase rate	1%	3,725
0.5% increase in the pension increase rate	8%	26,657

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The last valuation took place as at 31 March 2016. The 2019 valuation is currently underway.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to account for £54.174m employer contributions to the scheme in 2019-20.

The weighted average duration of the defined benefit obligation for scheme members is 18.0 years.

41. Nature and Extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- 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;
- 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 programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides 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.

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 managed through the Annual Investment and Treasury Strategy 2018-19 and the Capital Strategy and Programme 2018-19 as approved by full Council on 12 February 2018, available on the Council's website. The debt recovery policy and framework is part of the council's financial regulations.

Credit Risk Management Practices

For the purposes of assessing credit risk, financial assets are analysed into 3 categories;

- Treasury Investments, including Cash and Cash equivalents
- Capital Loans to third parties
- Other non statutory Debtors

For Treasury Investments the authority's credit risk management practices are set out in the Annual Investment and Treasury Strategy. With regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition:

For deposits made with banks and financial institutions the Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, and other market information to give early warning of likely changes in creditworthiness.

Where a loan has been given to a third party, the annual financial statements and credit reference agency ratings are used to assess continuing creditworthiness in the context of general economic forecasts. Contractual repayment dates are monitored to ensure timely receipts of principal and interest, to identify delays which might be an indication of liquidity problems.

The Council does not generally allow extended credit for customers for goods and services. 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 2019 was £2.482m.

The Credit Control Team under delegated authority from the Executive Director of Finance and Commercial Services will instigate a process to recover all debts which have been outstanding for more than 30 days. The Council's Debt Recovery Policy and Framework sets out the process for recovering unpaid debts and for writing off irrecoverable debt. Once a debt has been outstanding for 61 days with no repayment plan it is referred to the Chief Legal Officer to determine if legal action should be pursued. Any irrecoverable debts over £10,000 are referred to the Council's Cabinet for write off authorisation.

The following significant inputs, assumptions and estimation techniques have been used in calculating impairment loss allowances:

For all amortised cost financial instruments, other than non statutory debtors, the appropriate credit reference metrics are used to calculate expected credit loss on a case by case basis. If there are any specific factors indicating business risk then the best available information will be used to calculate expected credit loss.

Debt collection data is presented to elected members regularly in finance monitoring reports. These reports include the percentage of invoiced income collected within 30 days, areas of high unpaid debts, outstanding secured and unsecured debt, and the value of debts written off. These factors, in particular a long-term analysis and projection of debts written off, including trends over time, have been used as the basis for calculating the expected credit loss for short term debtors.

Amounts Arising from Expected Credit Losses

Reclassification and Remeasurement of impairment allowance as at 1 April 2018

	Impairment Allowance brought forward at 1 April	Loss Allowances for New Classifications at 1 April 2018	
		Amortised Cost	Fair Value through Other Comprehensive Income
	£000s	£000s	£000s
Previous Classifications:			
Loans and receivables	6,550	6,550	0
Available for Sale	0	0	0
Reclassified amounts at 1 April 2018		**6,550**	**0**
Remeasurement from incurred loss to expected losses basis at 1 April 2018		0	0
Impairment loss allowance at 1 April 2018		**6,550**	**0**

The council assessed each financial instrument for the change from incurred loss to expected credit loss basis and determined that there was no significant difference. Therefore there has been no remeasurement to the loss allowance brought forward.

The changes in the loss allowance for financial assets measured at amortised cost during the year are as follows:

	2017-18	2018-19
	£000s	£000s
Opening Balance at 1 April	**4,258**	**6,550**
New financial assets originated or purchased	3,308	2,369
Financial assets that have been derecognised	(1,018)	(1,119)
Other Changes	2	(1,436)
Balance as at 31 March	**6,550**	**6,364**

The loss allowance is calculated using the lifetime expected credit losses (simplified approach).

During the year the Council wrote off no financial assets that are still subject to enforcement activity.

Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2019:

	Credit Risk Rating (as used by the Council)	Gross Carrying Amount £000s
12-month expected credit losses	AAA	53,387
	AA	0
	A	44,416
	Not Rated	77,111
Simplified approach	Not Rated	91,075

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowings during specified periods. The strategy through 2018-19 ensured that no more than 15% of loans are due to mature within any rolling two-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	Maturity Structure Upper Limit	**31 March 2018**	**31 March 2019**
		£000s	**£000s**
Less than one year	15%	14,227	13,689
Between one and two years	15%	5,525	5,025
Between two and five years	45%	20,404	31,526
Between five and ten years	75%	93,900	98,650
More than ten years	100%	407,911	485,550
		541,967	**634,440**

All trade and other payables are due to be paid in less than one year.

Market Risk

a) Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in 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. 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 Investment and Treasury 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	510
Impact on surplus or deficit on the Provision of Services	510
Decrease in fair value of fixed rate investment assets	N/A
Impact on Other Comprehensive Income and Expenditure	N/A
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)	135,742

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

b) Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council does have shares in six wholly owned companies (including the Norse Group), two other controlled companies, Norwich Airport Ltd and in a local authority purchasing consortium operated by a joint committee. 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.

c) Foreign Exchange Risk

The Council has minimal financial assets denominated in foreign currencies. It therefore has little exposure to loss arising from movements in exchange rates.

42. 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. During 2018-19, one school moved from Community to Foundation status and one school moved from Foundation to Academy status, giving a total in this authority area of 28 Foundation Schools (28 in 2017-18).

43. Funds Administered for Third Parties

The Council has an arrangement to administer and invest funds on behalf of the bodies listed in the table below. These funds, in accordance with the Code, have been excluded from the County Council's balance sheet.

	31 March 2018 £000s	31 March 2019 £000s
Norfolk Pension Fund	6,603	13,015
Norse Care Ltd	1,840	0
Norse Commercial Services Ltd	3,192	1,389
Independence Matters CIC	1,755	1,543
	13,390	**15,947**

44. Trust Funds

During 2017-18 the administration of a number of trust funds was transferred to the Norfolk Community Foundation, which is an independent grant making charity serving Norfolk. The Council remains as sole or custodian trustee for six trust funds and as one of several trustees for a further two trust funds and also manages a bequest. Only one of these funds (the bequest) has asset values over £10,000. None of these funds represent assets of the Council, and they have not been included in the Balance Sheet.

Supporting the Cash Flow Statement

45. Cash Flows from Operating Activities

The deficit on the provision of services has been adjusted for the following non-cash items:

	2017-18 £000s	2018-19 £000s
Depreciation	(52,129)	(55,555)
Impairment and downward valuations	(14,372)	(13,871)
(Increase)/decrease in creditors	106	(5,591)
Increase/(decrease) in debtors	(2,307)	48,169
Movement in Pension Liability	(59,662)	(51,031)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(109,170)	(68,783)
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,354)	(58)
	(238,888)	**(146,720)**

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

	2017-18 £000s	2018-19 £000s
Interest received	(2,947)	(2,538)
Interest paid	32,113	30,319
Dividends received	(1,247)	(1,350)

The deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2017-18 £000s	2018-19 £000s
Capital grants credited to the deficit on the provision of services	137,200	112,410
Proceeds from the sale of property, plant and equipment	1,563	5,891
Proceeds from short term investments (not considered to be cash equivalents) and long term investments	(32,126)	(37,000)
	106,637	**81,301**

46. Cash Flows from Investing Activities

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

	2017-18 £000s	2018-19 £000s
Purchase of property, plant and equipment, investment property and intangible assets	193,421	126,198
Purchase of short term and long term investments	0	0
Other payments for investing activities	6,416	4,468
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,623)	(5,058)
Other receipts from investing activities	(137,191)	(123,392)
Net cash flows from investing activities	**61,023**	**2,216**

47. Cash Flows from Financing Activities

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

	2017-18 £000s	2018-19 £000s
Cash receipts of short term and long term borrowing	(20,000)	(100,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,783	3,887
Repayments of short term and long term borrowing	7,895	7,895
Net cash flows from financing activities	**(10,322)**	**(88,218)**

Reconciliation of Liabilities Arising from Financing Activities

	Balance as at 1 April 2018 £000	Financing Cash Flows £000	Non-Cash Changes £000	Balance as at 31 March 2019 £000
Long term borrowings	(527,740)	(99,898)	6,887	(620,751)
Short term borrowings	(14,226)	7,793	(7,256)	(13,689)
Lease liabilities	(2,223)	809	0	(1,414)
On balance sheet PFI liabilities	(53,349)	3,078	0	(50,271)
Total liabilities from financing activities	**(597,538)**	**(88,218)**	**(369)**	**(686,125)**

Other Notes

48. 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. Details of grants received from Government Departments are set out in notes 13 and 14. Grant receipts not yet recognised due to conditions attached to them at 31 March 2019 are included in current liabilities and are shown in note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2018-19 is shown in note 18. The Council wrote to all members requesting details of any related party transactions. There are no disclosures other than the following:- The Council has given £1.274m (£1.534m in 2017-18) 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 three councillors that represent the council on the EIFCA.

(ii) The Council has pooled fund arrangements with Clinical Commissioning Groups and other health bodies. Transactions and balances outstanding are detailed in note 17.

(iii) The Council is a member of three Joint Committees – Eastern Shires Purchasing Organisation (ESPO), Norfolk Museums, 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 has no control over the day to day operations of ESPO, but as a member of the consortium has a share of the company equating to 26% (26% in 2017-18) calculated as a proportion of the Council's share of ESPO's turnover. Further information on ESPO can be found in their own Statements of Accounts

Pension Fund

During the financial year, the pension fund had an average daily balance of £11.342m of surplus cash deposited with the Council (£9.1m in 2017-18). The Council paid the fund a total for interest of £0.073m on these deposits (£0.031m in 2017-18). The Council charged the fund £0.007m (£0.007m in 2017-18) for expenses incurred in administering these balances.

Companies and Joint Ventures

The Council has six active 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 2018-19. During the year the total values of payments made to and received from Norse Group Ltd, were £86.153m and £3.559m respectively (£72.652m and £4.634m respectively in 2017-18).

Independence Matters is a Community Interest Company. The company's staff own 51% of the shares through an employee benefit trust with the Council owning the remaining 49%. During the year over 80% of the company's turnover was with Norfolk County Council. The total value of payments made to and received from Independence Matters were £15.430m and £0.034m respectively (£13.915m and £0.176m respectively in 2017-18).

Hethel Innovations Ltd (HIL), Norfolk Energy Futures Ltd (NEFL), Repton Property Developments Ltd and Norfolk Safety CIC are all 100% owned by the Council. NEFL's assets were liquidated during 2017-18. Further detail about this is included in the Group Accounts on page 116. The Great Yarmouth Development Company is jointly owned with Great Yarmouth Borough Council and is in the process of being liquidated. All have Council member or officer representation on their boards of directors. The Council has provided short term working capital and long term capital loans to its subsidiaries at appropriate rates of interest and repayable on terms relating to the nature or the loan and the expected life of underlying assets.

49. 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 at least every five years. At the time of the most recent valuation (August 2014), the value of the collateral was just over 180% of the potential liability, and therefore adequate to meet any obligation that may arise for the Fund. The 2019 valuation is currently underway.

NHS Trusts Business Rates

Business Rates collection authorities have received a number of claims for mandatory business rates relief from local NHS Trusts claiming charitable status. The decision to grant relief to the Trust has not yet been resolved and is subject to ongoing investigation. The LGA (the representative body for Local Authorities) has sought legal advice from Counsel, and its position is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded. The timing, probability and amount of relief, if any, is therefore uncertain.

NDR Land Compensation Act

Any major road scheme invariably requires the acquisition of property and payments of compensation. The construction of the Broadland Northway (previously known as the Norwich Northern Distributor Road) has resulted in a large number of claims, the majority of which have yet to be finalised, and further “part 1” claims are anticipated. The Council has provided for, in its accounts, management’s best estimate of the outcome of these cases. However, given the long time-scales and complexities of negotiations this may be exceeded by the actual outcome.

50. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director of Finance and Commercial Services on 31 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Schools transferring to Academy Status

Between 1 April 2019 and 31 July 2019 4 schools, (listed below), with a net book value of £10.213m converted to academy status.

Fakenham Infant and Nursery School	Cromer Junior School
Fakenham Junior School	Kinsale Junior School

These schools will be revalued prior to disposal. The revised net book value will be written out of the Council’s Property, Plant and Equipment during 2019-20 and will be treated as a disposal at nil consideration in the 2019-20 consolidated Income and Expenditure Statement.

UK relationship with the EU

There is likely to be ongoing uncertainty while the UK continues to renegotiate its relationship with the EU and other nations. For the purposes of these financial statements, the EU Referendum outcome is a non-adjusting event, with the following factors taken into account:

The Council’s Annual Investment and Treasury Strategy for 2019-20, approved by full Council at its meeting on 10 February 2019 builds on the cautious approach of recent years which seeks to protect the Council’s principal at the potential expense of yield income. The risks of impairment to the authority’s current investments are outlined in Note 41, and the current strategy will be under constant review.

The Pension Fund continues to be a diversified long term investor. Details of factors influencing the value of the pension fund are given in Note 39.

Transition Arrangements Age Discrimination

A legal ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements, where changes have been made to the benefit structure. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant), which had previously been considered by employment tribunals. The rulings have implications for the Local Government Pension Scheme since similar changes and transitional arrangements were implemented.

Post the balance sheet date the UK Government's application for leave to appeal to the Supreme Court was refused. The refusal of the application for leave to appeal enabled the Government Actuary Department (GAD) to develop an estimation technique and this has been made available by GAD. The LGPS and Fire Pension Fund's actuaries have adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The estimated increase in liabilities is reflected in note 40.

Norfolk Fire Fighters Pension Fund Accounts

This section summarises the accounts of the Fire Fighters' Pension Fund for the year ending 31 March 2019. 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 2019

	2017-18 £000s	2018-19 £000s
Contributions receivable		
County Council		
- Contributions in relation to pensionable pay	(1,867)	(1,841)
- Early retirements	(202)	(158)
Fire fighters' contributions	(1,522)	(1,560)
	(3,591)	(3,559)
Transfers in from other authorities	0	(15)
	(3,591)	(3,574)
Benefits payable		
Pensions	6,716	7,219
Commutations and lump sums	2,220	1,500
	8,936	8,719
Net amount payable for the year	5,345	5,145
Top up grant payable by Government	(5,345)	(5,145)
	0	**0**

Fire Fighters Pension Fund Net Assets Statement

	31 March 2018 £000s	31 March 2019 £000s
Top up (payable to) / receivable from Government	733	1,381
Amount owing (to) / from General Fund	(733)	(1,381)
	0	**0**

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Notes to the Norfolk Fire Fighters Pension Fund Accounts

1. Summary of Arrangements

There are four schemes operated by the Home Office for Fire Fighter pensions, 1992, 2006, modified 2006 and 2015. The career averaged (CARE) Fire Fighter Pension Scheme was introduced in 2015 as a phased replacement of the 1992 'old' and 2006 'new' schemes for active members. It is open to both whole time and retained Fire Officers with the majority of active members paying into this scheme. The employer contribution rate has been set at 14.3% of Fire Officers pensionable pay. The rate is 21.7% for the old scheme and 11.9% of Fire Officers pensionable pay for the new scheme. The old and new schemes continue to run with members transferring to the 2015 CARE scheme on a tapered basis depending on the years of service under the existing schemes. Most members will have transferred to the CARE 2015 scheme or retired by 2023. There are a small number of special members with the Modified 2006 scheme. Most of these payments were one off payments relating to earnings between 2000 to 2006 for Retained Fire Fighters. However, there are 6 special active members under this scheme, all retained. The employer contribution rate has been set at 21.7% of Fire Officers pensionable pay, the same as if they were under the 1992 scheme.

Payments are made under all schemes until such time as the beneficiaries with the old and new schemes are deceased.

Contributions from the Council (employer) and Officers are paid into the Fire pension account as are employee contributions. Pension payments are made from the same account and any net payment on the account is refunded by the Home Office in the form of a 'top-up' grant payment. This excludes compensation payments and injury awards which are unfunded and paid from the Council's revenue account.

Ill health retirement pay overs are made to the Fire pensions account from the Council's account over a three year period based on two or four times pensionable pay depending on lower or upper tier ill health category of retirement. This is effectively a pension strain paid for early retirement due to ill health.

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. Information on the Council's long term pension obligations can be found in Note 40 to the main accounts.

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

West Yorkshire Pension Fund retains the responsibility for, and continues to administer and pay, fire officer pensions in accordance with the Fire Pension Regulations1992 (old pension scheme), 2006 (new pension scheme), Modified 2006 (modified new pension scheme) and 2015 (CARE pension scheme).

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 has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. Two of these, Norse Group Ltd and Independence Matters CIC are 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 and Independence Matters CIC.

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
Independence Matters CIC	Subsidiary	Consolidated
Norfolk Energy Futures Ltd	Subsidiary	Ceased trading
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Regeneration Company Limited	Subsidiary	Dissolved
Great Yarmouth Development Company Limited	Subsidiary	Ceased trading
Norfolk Safety Community Interest Company	Subsidiary	Not material
Public Law East Limited	Subsidiary	Dormant
Educator Solutions Ltd	Subsidiary	Dormant
Repton Property Developments Ltd	Subsidiary	Not material
Norwich Airport Legislator companies	No group relationship	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).

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 19 residential homes and 15 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 Council has provided a number of loans to the Norse Group and its subsidiaries for capital investment purposes, including £10m for energy projects (2015-16) and £6.25m to support the development of the International Aviation Academy Norwich (2016-17). The combined balance outstanding on Norse Group capital loans at 31 March 2019 was £19.9m.

The company’s accounting period for 2018-19 is from 1 April 2018 to 31 March 2019. Copies of the final accounts of the company for the period ended 31 March 2019 may be obtained from Companies House or by request to the County Council.

Based on its turnover, the Norse Group Ltd is material to the Group financial statements. The results for the Norse Group Ltd to 31 March 2019 are shown in the table below.

Norse Group Ltd	2017-18	2018-19
	£000s	£000s
Current Assets	55,952	64,903
Non-current assets	118,356	117,937
Current Liabilities	(50,400)	(59,642)
Non-current liabilities.	(105,772)	(104,995)
Net Assets for the accounting period	**18,136**	**18,203**
Revenue	279,720	306,777
Profit or loss from continuing operations	(2,236)	13,442
Profit/(Loss) for the accounting period (after Tax)	(2,082)	8,317
Other comprehensive (expense) / income	4,404	(8,278)
Total comprehensive (expense) / income	**2,322**	**39**
Extent of non-controlling interests:		
Non-controlling equity interest	(996)	(2,476)
Non-controlling interest in the Profit/(Loss) for the accounting period before intra-group eliminations	(179)	(1,556)

The non-controlling interests result from a number of joint ventures entered into by the Norse Group Ltd.

<u>Independence Matters CIC</u>

Independence Matters is a Community Interest Company (CIC) which started trading 1 November 2013. Norfolk County Council owns 49% of the shares with the remaining shares held by an Employee Benefit Trust. Independence Matters CIC is the first 'spin out' social enterprise to be launched by the Council, with over 600 staff transferring from Norfolk County Council's Personal and Community Support Services. The main activities of the company are the provision of the following services under contract with Norfolk County Council:

- Day services at community hubs
- Personal Assistants Services
- Supported Living - for people in their own homes
- Respite Care – personalised short break respite care
- Norfolk Industries – a stand-alone enterprise manufactures pet bedding with a workforce of employees with disabilities
- Stepping Out - providing support for people with mental health problems.

An initial contract period of three years which was extended for two years to 31 May 2019. During 2018-19, over 80% of the company's turnover of £16.135m was with Norfolk County Council. The company is therefore considered to be controlled by Norfolk County Council and is fully consolidated into these group financial statements.

A revised contractual agreement is in the process of being finalised, which will include the purchase and transfer of shares from the Employee Benefit Trust to NCC to achieve wholly owned status.

Home Support Matters (a wholly owned subsidiary of Independence Matters CIC)

After the Care Quality Commission issued a Stage 6 Notice in November 2018, both Norfolk and Suffolk County Council acted rapidly and robustly to protect the continuity of care for customers of Allied Healthcare in Norfolk and Suffolk.

This action included the creation of an alternative delivery vehicle, Home Support Matters, a Social Enterprise wholly owned by Independence Matters CIC. Home Support Matters CIC undertook the continuity of care for all former customers of Allied Healthcare from 10 December 2018.

Norfolk Energy Futures Ltd (NEFL)

NEFL generated revenue from investment in renewable energy and energy conservation projects until December 2017 when the company ceased actively trading and the company's assets were transferred to the County Council, with a net outstanding loan balance of £0.117m written off in 2017-18. When the assignment of a lease has been completed, the company will be formally dissolved.

Hethel Innovation Limited (HIL)

HIL is wholly owned by the Council. The company was set up as a special purpose vehicle to build 'grow on' space for businesses, maximising the use of EU funding. The company owns and operates the Hethel Engineering Centre, manages Scottow Enterprise Park on behalf of the Council, and promotes a variety of networks and events to promote enterprise in Norfolk.

Norfolk Safety Community Interest Company (CIC)

Norfolk Safety CIC operates in partnership with Norfolk Fire and Rescue Service, and provides a range of risk management, training and development and other services to public bodies, third sector organisations and businesses.

Repton Property Developments Limited

Repton Property Developments Ltd, incorporated on 27 July 2017, is wholly owned by the Council. The company has been established to develop the Council's surplus properties and other suitable land. Repton is expected to start actively trading in 2019-20. The Council has incurred initial business planning and set-up costs in 2018-19 which will be reimbursed by the company.

Great Yarmouth Development Company Limited (GYDC)

GYDC is jointly owned with Great Yarmouth Borough Council and completed a housing project in 2014-15. The company is currently in the process of being closed.

Public Law East Limited

Public Law East Limited, incorporated on 13 February 2017, is a wholly owned company. It is currently dormant.

Educator Solutions Limited

Educator Solutions Ltd, incorporated on 15 April 2016, is wholly owned by the Council. It is currently dormant.

Norfolk Regeneration Company Limited (NRC)

NRC was a dormant company wholly owned by the Council. It was dissolved on 30 0ctober 2018.

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. In 2014, Omniport Holdings Limited, the company's ultimate parent company, sold its 100% interest in Omniport Limited to Regional & City Airports Holdings Limited ("RCA"). RCA is a specialist business in the ownership and management of airports, and is a subsidiary of Rigby Group (RG) plc ("Rigby Group").

The remaining 19.9% of the 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 74.

The accounts for 2018-19 are not yet available. Copies of the accounts will be available from Companies House or by request to the County Council.

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.

Group Comprehensive Income and Expenditure Statement

	2017-18			2018-19		
	Gross Expenditure **£000s**	Gross Income **£000s**	Net Expenditure **£000s**	Gross Expenditure **£000s**	Gross Income **£000s**	Net Expenditure **£000s**
Adult Social Services	410,933	131,314	279,619	446,874	149,718	297,156
Children's Services	616,150	396,175	219,975	615,792	391,221	224,571
Community and Environmental Services	327,482	156,385	171,097	341,143	164,865	176,278
Strategy and Governance Services	19,167	7,435	11,732	16,210	5,103	11,107
Finance and Commercial Services	50,512	12,702	37,810	54,723	19,552	35,171
Finance General	13,953	7,096	6,857	14,082	8,846	5,236
Other Services	105,291	107,783	(2,492)	115,934	119,608	(3,674)
Non Distributed Costs	(11,174)	0	(11,174)	5,943	0	5,943
Exceptional Items	2,197	0	2,197	0	0	0
Other Operating Income	0	588	(588)	0	846	(846)
Cost of Services	**1,534,511**	**819,478**	**715,033**	**1,610,701**	**859,759**	**750,942**
Other Operating Expenditure			109,182			64,642
Financing and Investment Income and Expenditure (Note 2)			61,809			61,570
Taxation and Non-Specific Grant Income			(765,288)			(765,954)
(Surplus) / Deficit on Provision of Services			**120,736**			**111,200**
Share of (surplus) or deficit of associates			(102)			5
Tax Expenses (Note 3)			(130)			515
Group (Surplus) / Deficit			**120,504**			**111,720**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(31,113)			(22,287)
Actuarial (Gains) / Losses on Pension Assets / Liabilities			(71,846)			179,480
Other Comprehensive Income and Expenditure			**(102,959)**			**157,193**
Total Comprehensive Income and Expenditure			**17,545**			**268,913**
Comprehensive Income and Expenditure attributable to Non-Controlling Interests in Subsidiaries			(61)			(1,480)

Group Movement in Reserves Statement

	Council's Usable Reserves	Subsidiary Usable Reserves (Note 11)	**Total Group Usable Reserves**	Council's Unusable Reserves	Subsidiary Unusable Reserves (Note 11)	**Total Group Unusable Reserves**	**Total Group Reserves**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 31 March 2017	**217,179**	**(8,154)**	**209,025**	**(247,577)**	**16,882**	**(230,695)**	**(21,670)**
Movement in Reserves during 2017-18							
Total Comprehensive Expenditure and Income	(35,332)	(80,829)	(116,161)	98,555	0	98,555	(17,606)
Adjustments between Group Accounts and Council Accounts**	(83,158)	83,158	0	0	0	0	0
Net increase or decrease before transfers	(118,490)	2,329	(116,161)	98,555	0	98,555	(17,606)
Adjustments between accounting basis & funding basis under regulations	74,887	0	74,887	(74,887)	0	(74,887)	0
Increase / (Decrease) in Year	**(43,603)**	**2,329**	**(41,274)**	**23,668**	**0**	**23,668**	(17,606)
Balance at 31 March 2018	**173,576**	**(5,825)**	**167,751**	**(223,909)**	**16,882**	**(207,027)**	**(39,276)**
Movement in Reserves during 2018-19							
Total Comprehensive Expenditure and Income	(38,642)	(84,068)	(122,710)	(144,508)	(215)	(144,723)	(267,433)
Adjustments between Group Accounts and Council Accounts**	(84,110)	84,110	0	0	0	0	0
Net increase or decrease before transfers	(122,752)	42	(122,710)	(144,508)	(215)	(144,723)	(267,433)
Adjustments between accounting basis & funding basis under regulations	127,996	0	127,996	(127,996)	0	(127,996)	0
Increase / (Decrease) in Year	**5,244**	**42**	**5,286**	**(272,504)**	**(215)**	**(272,719)**	**(267,433)**
Balance at 31 March 2019	**178,820**	**(5,783)**	**173,037**	**(496,413)**	**16,667**	**(479,746)**	**(306,709)**
Minority Interest share of subsidary reserves	**0**	**0**	**0**	**0**	**(2,476)**	**(2,476)**	**(2,476)**
Balance at 31 March 2019	**178,820**	**(5,783)**	**173,037**	**(496,413)**	**14,191**	**(482,222)**	**(309,185)**

** These adjustments relate to the purchase of goods and services from the Council's subsidiary companies

Group Balance Sheet

	Group Note	31 March 2018	31 March 2019
		£000s	£000s
Property, Plant & Equipment	4	1,721,646	1,727,850
Heritage Assets		6,704	7,169
Investment Property		21,529	21,192
Intangible Assets	5	6,712	7,412
Long Term Investments		1,238	2,439
Investments in Associates and Joint Ventures		97	75
Long Term Debtors	8	61,716	65,082
Deferred Tax Asset		6,542	6,599
Long Term Assets		**1,826,184**	**1,837,818**
Short Term Investments		70,500	30,183
Inventories	6	3,527	3,658
Short Term Debtors	8	157,108	212,011
Cash and Cash Equivalents	9	22,689	77,825
Assets Held for Sale		4,145	1,336
Current Assets		**257,969**	**325,013**
Short Term Borrowing		(18,988)	(20,994)
Other Short Term Liabilities		(3,632)	(3,634)
Short Term Creditors	10	(191,852)	(194,868)
Provisions		(6,698)	(6,762)
Current tax liability		(24)	0
Current Liabilities		**(221,194)**	**(226,258)**
Long Term Creditors	10	(16,529)	(16,274)
Provisions		(21,708)	(19,262)
Long Term Borrowing		(549,596)	(640,399)
Other Long Term Liabilities		(1,284,945)	(1,529,768)
Capital Grants Receipts in Advance		(30,453)	(40,055)
Long Term Liabilities		**(1,903,231)**	**(2,245,758)**
Net Assets		**(40,272)**	**(309,185)**
Usable Reserves	11	167,751	173,037
Unusable Reserves	11	(208,023)	(482,222)
Total Reserves		**(40,272)**	**(309,185)**

.

Group Cash Flow Statement

	31 March 2018 £000s	31 March 2019 £000s
Net (surplus) or deficit on the provision of services	**120,736**	**86,382**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(247,015)	(143,161)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	107,016	80,998
Net cash flows from Operating Activities (note 14)	(19,263)	24,219
Investing Activities (note 15)	67,780	4,477
Financing Activities (note 16)	(11,753)	(83,832)
Net (increase) or decrease in cash and cash equivalents	**36,764**	**(55,136)**
Cash and cash equivalents at the start of the year	**59,453**	**22,689**
Cash and cash equivalents at the end of the year (note 9)	**22,689**	**77,825**

Notes to the Group Accounts

Notes to the Core Financial Statements

1. Accounting Policies

i) 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.

ii) 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. 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.

iii) 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.

iv) 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.

Supporting the Comprehensive Income and Expenditure Statement

2. Group Comprehensive Income and Expenditure Statement (Group CIES)

The income and expenses of the Council's subsidiary companies 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:

	2017-18 £000s	2018-19 £000s
Interest payable and similar charges	1,411	1,570
Net interest cost and on the net defined benefit liability	1,160	1,075
Interest receivable and similar income	(117)	(221)
Total for Norse Group Ltd and Independence Matters	**2,454**	**2,424**

3. Tax Expenses of Group Entities

The taxation figure included in the Group Comprehensive Income and Expenditure Statement represents:

	2017-18 £000s	2018-19 £000s
Tax in respect of the current year	652	693
Adjustments in respect of prior years	0	322
Deferred tax origination and reversal of timing differences	0	219
Deferred tax in respect of the current year (retirement benefit obligations)	(377)	1,437
Deferred tax on actuarial loss/(gain) for the year	(237)	(2,156)
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	(168)	0
Total Taxation Expenses	**(130)**	**515**

Supporting the Balance Sheet

4. Property, Plant and Equipment

Movements in 2018-19 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**
Cost or Valuation							
At 1 April 2018	806,224	128,285	1,154,807	13	67,783	24,249	2,181,361
Additions	12,060	14,451	65,466	0	36,992	85	129,054
Revaluation increases/(decreases):							
- to Revaluation reserve	13,789	0	0	0	0	1,542	15,331
- to surplus or deficit on provision of services	(6,702)	0	0	0	0	(20)	(6,722)
Derecognition - disposals	(69,715)	(12,525)	(1,685)	0	0	(40)	(83,965)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(1,704)	(1,704)
Reclassifications and transfers	10,770	150	57,973	(13)	(68,555)	(1,352)	(1,027)
At 31 March 2019	766,426	130,361	1,276,561	0	36,220	22,760	2,232,328
Accumulated Depreciation and Impairment							
At 1 April 2018	102,019	61,050	284,175	0	0	12,471	459,715
Depreciation charge	17,627	12,120	32,522	0	0	397	62,666
Depreciation written out to Revaluation reserve	(3,532)	0	0	0	0	(8)	(3,540)
Depreciation written out on revaluation to surplus or deficit on provision of services	(1,829)	0	0	0	0	0	(1,829)
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	(1,748)	0	0	0	0	0	(1,748)
- the surplus or deficit on provision of services	8,894	0	0	0	0	85	8,979
Derecognition - disposals	(5,956)	(11,660)	(1,685)	0	0	(2)	(19,303)
Reclassifications and transfers	83	0	0	0	0	(545)	(462)
At 31 March 2019	115,558	61,510	315,012	0	0	12,398	504,478
Net Book Value:							
At 31 March 2019	**650,868**	**68,851**	**961,549**	**0**	**36,220**	**10,362**	**1,727,850**
At 31 March 2018	704,205	67,235	870,632	13	67,783	11,778	1,721,646

Movements in 2017-18 on Group 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**
At 1 April 2017	846,065	122,082	962,643	13	147,225	20,530	2,098,558
Additions	10,862	11,196	64,042	0	115,565	1,364	203,029
Revaluation increases/(decreases):							
- to Revaluation reserve	27,389	0	0	0	0	(1,640)	25,749
- to surplus or deficit on provision of services	(9,142)	0	0	0	0	80	(9,062)
Derecognition - disposals	(121,419)	(10,362)	0	0	0	0	(131,781)
Assets reclassified (to)/from Held for Sale	(590)	0	0	0	0	(3,353)	(3,943)
Reclassifications and transfers	53,059	5,369	128,122	0	(195,007)	7,268	(1,189)
At 31 March 2018	**806,224**	**128,285**	**1,154,807**	**13**	**67,783**	**24,249**	**2,181,361**
Accumulated Depreciation and Impairment							
At 1 April 2017	97,409	58,793	256,601	0	0	11,329	424,132
Depreciation charge	19,698	11,508	27,574	0	0	39	58,819
Depreciation written out to Revaluation reserve	(6,029)	0	0	0	0	(202)	(6,231)
Depreciation written out on revaluation to surplus or deficit on provision of services	(9,748)	0	0	0	0	(108)	(9,856)
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	1,834	0	0	0	0	(40)	1,794
- the surplus or deficit on provision of services	13,728	0	0	0	0	1,438	15,166
Derecognition - disposals	(14,534)	(9,239)	0	0	0	0	(23,773)
Reclassifications and transfers	(339)	(12)	0	0	0	15	(336)
At 31 March 2018	**102,019**	**61,050**	**284,175**	**0**	**0**	**12,471**	**459,715**
Net Book Value:							
At 31 March 2018	**704,205**	**67,235**	**870,632**	**13**	**67,783**	**11,778**	**1,721,646**
At 31 March 2017	748,656	63,289	706,042	13	147,225	9,201	1,674,426

Capital Commitments

The Norse Group Ltd has capital expenditure commitments of £8.384m as at 31 March 2019.

Details of the Council's capital commitments are shown in Note 24 to the Single Entity accounts.

5. Intangible Assets

The movement on the Group balances during the year:

	2017-18 Restated*			**2018-19**		
	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	5,169	4,397	**9,566**	6,437	4,397	**10,834**
- Accumulated amortisation	(4,007)	0	**(4,007)**	(4,122)	0	**(4,122)**
Net carrying amount at the start of the year	**1,162**	**4,397**	**5,559**	**2,315**	**4,397**	**6,712**
Additions (purchases)	1,370	0	**1,370**	1,686	0	**1,686**
Disposals	(3)	0	**(3)**	(23)	0	**(23)**
Impairment losses	0	0	**0**	0	0	**0**
Amortisation for the period	(484)	0	**(484)**	(963)	0	**(963)**
Other Changes	270	0	**270**	0	0	**0**
Net carrying amount at the end of the year	**2,315**	**4,397**	**6,712**	**3,015**	**4,397**	**7,412**
Comprising:						
- Gross carrying amounts	6,437	4,397	**10,834**	6,372	4,397	**10,769**
- Accumulated amortisation	(4,122)	0	**(4,122)**	(3,357)	0	**(3,357)**
	2,315	**4,397**	**6,712**	**3,015**	**4,397**	**7,412**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

The goodwill in the Group Balance Sheet relates to the acquisition of companies by the Norse Group Ltd. Other intangible assets include computer software and other intangible assets in the Norse Group Ltd accounts, which are being written off over a period of 3 to 10 years.

6. Inventories

Consumable Stores	2017-18	2018-19
	£000s	£000s
Balance outstanding at start of year	**3,551**	**3,527**
Purchases	32,806	15,610
Recognised as an expense in year	(32,826)	(15,338)
Amounts written off	(4)	(141)
Balance outstanding at year end	**3,527**	**3,658**

7. Financial Instruments

Reclassification and Remeasurement of financial assets as at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS9 Financial Instruments by the Code and the remeasurements of carrying amounts then required. This note then shows how the new balances at 1 April 2018 are incorporated into the Balance Sheet.

		New Classifications at 1 April 2018			
	Carrying amounts brought forward at 1 April	**Amortised Cost**	**Fair Value through Other Comprehensive Income**	**Non financial instrument balances**	**Total Balance Sheet carrying amount**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Previous Classifications:					
Loans and receivables	265,857	265,857	0		
Available for Sale	1,238	0	1,238		
Reclassified amounts		**265,857**	**1,238**		
Remeasurements		0	2,036		
Remeasured carrying amounts		**265,857**	**3,274**		
Long Term Investments		0	3,274	0	3,274
Long Term Debtors		61,716	0	0	61,716
Short Term Investments		70,500	0	0	70,500
Short Term Debtors		110,952	0	46,156	157,108
Cash and Cash Equivalents		22,689	0	0	22,689

The following judgements were made in reclassifying financial instruments at 1 April 2018

- Shares with a carrying amount of £1.238m were reclassified from available for sale to fair value through other comprehensive income and subsequently revalued. The Council applied its discretion to designate the equity instruments as fair value through other comprehensive income rather than fair value through profit and loss. There has been no impact on the General Fund and the gain from revaluation has been taken to a newly created unusable reserve, the Financial Instrument Revaluation Reserve.

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

	Long Term		Short Term	
	31 March 2018 Restated* £000s	31 March 2019 £000s	31 March 2018 Restated* £000s	31 March 2019 £000s
Investments:				
Amortised Cost	0	0	70,500	30,183
Fair Value through Other Comprehensive Income	1,238	2,439	0	0
Total Financial Assets	**1,238**	**2,439**	**70,500**	**30,183**
Non-financial assets	0	0	0	0
Total Investments	**1,238**	**2,439**	**70,500**	**30,183**
Debtors:				
Amortised Cost	61,716	65,082	110,952	124,842
Total Financial Assets	**61,716**	**65,082**	**110,952**	**124,842**
Non-financial assets	0	0	46,156	87,169
Total Debtors	**61,716**	**65,082**	**157,108**	**212,011**
Cash and Cash equivalents:				
Amortised Cost	0	0	22,689	77,825
Total Financial Assets	**0**	**0**	**22,689**	**77,825**
Non-financial assets	0	0	0	0
Total Cash and cash equivalents	**0**	**0**	**22,689**	**77,825**
Borrowings:				
Amortised Cost	549,596	640,399	18,988	20,994
Total Financial Liabilities	**549,596**	**640,399**	**18,988**	**20,994**
Non-financial Liabilities	0	0	0	0
Total Borrowings	**549,596**	**640,399**	**18,988**	**20,994**
Other short/long term liabilities:				
Amortised Cost	59,200	57,285	3,632	3,634
Total Financial Liabilities	**59,200**	**57,285**	**3,632**	**3,634**
Non-financial Liabilities	1,225,745	1,472,483	0	0
Total Other Short/Long Term Liabilities	**1,284,945**	**1,529,768**	**3,632**	**3,634**
Creditors:				
Amortised Cost	16,529	16,274	144,711	159,335
Total Financial Liabilities	**16,529**	**16,274**	**144,711**	**159,335**
Non-financial Liabilities	0	0	47,141	35,533
Total Creditors	**16,529**	**16,274**	**191,852**	**194,868**

*The 2017-18 figures have been rested according to the new categories of financial assets as follows:

- The long term investment classified as Fair Value through other Income and Expenditure was previously classified as Available for Sale,
- All other financial assets were previously classified as Loans and Receivables.

Interest due to be paid or received within the next 12 months in respect of both long and short term loans and investments is shown within the Current columns in the table above

(i) The Fair Value through Other Comprehensive Income are the Council's investments in Norwich Airport and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657.

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

(iii) The Council has deferred payment agreements made prior to 1 April 2015 where residential care clients 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 includes an interest element based on the average rate of interest payable on the Council's debt for the year (4.76%). From 1 April 2015 the Council created a Deferred Payments Scheme as required by the Care Act 2014. This scheme includes an interest charge at market rate, therefore any new agreements are not soft loans.

8. Debtors

These are people and organisations that owe money to the Group at the end of the year. The total for other entities and individuals includes employee car loans and an adjustment for impairment (allowance for bad/doubtful debts).

	Long Term Debtors		Short Term Debtors	
	31 March 2018 Restated* £000s	31 March 2019 £000s	31 March 2018 Restated* £000s	31 March 2019 £000s
Trade Debtors	14,704	15,509	125,284	145,945
Subsidiaries	0	0	3,108	3,708
Other receivables	47,012	49,573	7,742	8,283
Prepayments	0	0	20,974	54,075
Group Total	**61,716**	**65,082**	**157,108**	**212,011**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

9. Cash and Cash Equivalents

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

	31 March 2018 £000s	31 March 2019 £000s
Single Entity Cash and Bank balances	(8,488)	(5,584)
Subsidiary cash and bank balances	8,298	9,947
Short term deposits with the Money Market	22,879	73,462
Total Group Cash and Cash Equivalents	**22,689**	**77,825**

10. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The long term creditor total in the balance sheet includes £16.274m deferred grant income towards three capital projects in the Norse accounts.

	Short Term Creditors	
	31 March 2018 Restated* £000s	31 March 2019 £000s
Trade creditors	136,263	128,890
Other payables	50,397	59,982
Receipts in advance	5,192	5,996
Group Total	**191,852**	**194,868**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

11. Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 120. The reserves of the subsidiaries include:

	Usable Reserves	Unusable Reserves			Minority Interest share of subsidiary reserves
	Retained Earnings	Capital Contribution Reserve	Revaluation Reserve	Total Unusable Reserves	
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April	**(5,825)**	**16,200**	**682**	**16,882**	**(996)**
Profit/(Loss) for the year	10,571	0	(215)	(215)	(1,480)
Actuarial loss in respect of defined benefit pension schemes	(12,685)	0	0	0	0
Deferred tax in respect of defined benefit pension schemes	2,156	0	0	0	0
Balance at 31 March	**(5,783)**	**16,200**	**467**	**16,667**	**(2,476)**

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 2018	31 March 2019
	£000s	£000s
Land and buildings	9,274	9,166
Vehicles, plant and equipment	9,809	11,485
Heritage Assets	2,652	2,856
Group Total	**21,735**	**23,507**

The minimum lease payments are made up of the following amounts:

Group	31 March 2018	31 March 2019
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,548	2,786
Non current	6,934	8,529
Finance costs payable in future years	655	(588)
Minimum lease payments	**10,137**	**10,727**

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

Group	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000s	£000s	£000s	£000s
Not later than one year	2,782	2,616	2,548	2,786
Later than one year and not later than five years	6,558	6,995	6,172	7,367
Later than five years	797	1,116	762	1,162
	10,137	**10,727**	**9,482**	**11,315**

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 2018-19 was £2.083m (£2.418m in 2017-18). The company also leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2018-19 were £1.215m (£1.629m in 2017-18).

Details of the Council's leases are shown in Note 36 on page 88.

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

	31 March 2018 Restated*	31 March 2019
	£000s	£000s
Not later than one year	5,324	5,103
Later than one year and not later than five years	13,638	11,798
Later than five years	9,271	12,666
Total	**28,233**	**29,567**

*The prior year figures have been restated so that the note analysis is consistent with the current year.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £6.273m (£7.090m in 2017-18).

13. 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 Norse Group Ltd 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 company's liabilities are reflected in their usable reserves (retained earnings) via the Group Movement in Reserves Statement.

Independence Matters CIC is an admitted body to the Norfolk Pension Scheme. The group accounts contain no adjustments in respect of this arrangement.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the Group Usable Reserves via the Group Movement in Reserves Statement during the year:

	2017-18	2018-19
	£000s	**£000s**
Group Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	99,527	88,220
Past service costs/(gain)	630	10,526
(Gain)/loss from settlements	(10,740)	(18,345)
Financing and Investment Income and Expenditure:		
Net interest expense	23,933	23,915
Total post employment benefit charged to the Surplus of Deficit on the Provision of Services	113,350	104,316
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined pension liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(25,100)	(59,007)
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	(56,082)	243,924
Other (if applicable)	(3,266)	3,663
Total post employment benefit charged to the Group Comprehensive Income and Expenditure Statement	28,902	292,896
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	(113,350)	(104,316)
Actual amount charged against Usable reserves for pensions for the year:		
Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	60,014	60,914

Pensions assets and liabilities recognised in the Group Balance Sheet

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

	2017-18	2018-19
	£000s	£000s
Present value of the defined benefit obligation	(2,893,852)	(3,196,488)
Fair value of plan assets	2,019,447	2,090,105
Net liability arising from defined benefit obligation	**(874,405)**	**(1,106,383)**

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

	2017-18	2018-19
	£000s	£000s
Balance at 1 April	**2,858,801**	**2,893,852**
Current service cost	99,527	88,220
Interest cost	74,589	78,234
Contributions by scheme participants	14,589	14,629
Remeasurement gains and losses:		
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	(56,082)	243,924
Other (if applicable)	(3,266)	3,663
Past service costs/(gain)	630	10,526
Losses /(gains) on curtailments	(20,055)	(18,807)
Benefits paid	(74,881)	(78,056)
Termination in respect of NPS North West Limited	0	(39,697)
Balance at 31 March	**2,893,852**	**3,196,488**

Reconciliation of the movements in the fair value of the scheme assets:

	2017-18	2018-19
	£000s	**£000s**
Opening fair value of scheme assets	**1,953,284**	**2,019,447**
Interest income	50,656	54,319
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	25,100	59,007
Employer contributions	60,014	60,914
Contributions by scheme participants	14,589	14,629
Benefits paid	(74,881)	(78,056)
Other (gain/loss from settlements)	(9,315)	(10,518)
Termination in respect of NPS North West Limited	0	(29,637)
Balance at 31 March	**2,019,447**	**2,090,105**

The basis for estimating assets and liabilities, significant assumptions used by the actuary and the estimation of the defined benefit obligations are consistent with the disclosures shown in the Council's single entity accounts as shown in note 40.

Supporting the Cash Flow Statement

14. Cash Flows from Operating Activities

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

	2017-18 £000s	2018-19 £000s
Interest received	(3,042)	(2,759)
Interest paid	35,189	31,892
Dividends received	(1,297)	(1,350)
Dividends paid	600	600

The deficit on the provision of services has been adjusted for the following non-cash items:

	2017-18 £000s	2018-19 £000s
Depreciation	(58,823)	(62,666)
Impairment and downward valuations	(14,372)	(13,871)
(Increase)/decrease in creditors	6,708	(13,425)
Increase/(decrease) in debtors	(10,280)	56,643
Movement in Pension Liability	(61,736)	(42,580)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(109,434)	(69,635)
Other non-cash items charged to the net surplus or deficit on the provision of services	922	2,373
	(247,015)	**(143,161)**

The deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2017-18 £000s	2018-19 £000s
Capital grants credited to the deficit on the provision of services	137,200	112,410
Proceeds from short term (not considered to be cash equivalents) and long term investments	(32,126)	(37,000)
Proceeds from the sale of property, plant and equipment	1,942	6,946
Other items for which the cash effects are investing or financing activities	0	(1,358)
	107,016	**80,998**

15. Cash Flows from Investing Activities

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

	2017-18 £000s	2018-19 £000s
Purchase of property, plant and equipment, investment property and intangible assets	199,311	129,726
Purchase of short term and long term investments	25	0
Other payments for investing activities	7,726	4,468
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,002)	(6,113)
Proceeds from short term and long term investments	(89)	0
Other receipts from investing activities	(137,191)	(123,604)
Net cash flows from investing activities	**67,780**	**4,477**

16. Cash Flows from Financing Activities

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

	2017-18 £000s	2018-19 £000s
Cash receipts of short term and long term borrowing	(35,307)	(104,584)
Other receipts from financing activities	(50)	(17)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,579	6,313
Repayments of short term and long term borrowing	19,425	12,251
Other payments from financing activities	600	2,205
Net cash flows from financing activities	**(11,753)**	**(83,832)**

Reconciliation of Liabilities Arising from Financing Activities

	Balance as at 1 April 2018 £000	Financing Cash Flows £000	Other non-cash changes £000	Balance as at 31 March 2019 £000
Long term borrowings	(549,596)	(99,898)	9,095	(640,399)
Short term borrowings	(18,988)	8,876	(10,882)	(20,994)
Lease liabilities	(9,483)	3,512	(4,677)	(10,648)
On balance sheet PFI liabilities	(53,349)	3,678	(600)	(50,271)
Total liabilities from financing activities	**(631,416)**	**(83,832)**	**(7,064)**	**(722,312)**

Norfolk Pension Fund Accounts

Introduction

This section provides details of the accounts of the Local Government Pension Fund for the year ending 31 March 2019.

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 are considered by the Pensions Committee. It is planned for 2018-19 accounts to be considered at its meeting on 9 July 2019 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.norfolkpensionfund.org

The Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (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.

Investment Strategy Statement and Funding Strategy Statement

With effect from the 1 April 2017 the Pension Fund is required to publish an Investment Strategy Statement in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and supersedes all previously published Statement of Investment Principles.

The Investment Strategy Statement and Funding Strategy Statement can be found on the Pension Funds website at the following location under the "Investment" and "Funding" sections: https://www.norfolkpensionfund.org/about-us/forms-and-publications/

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 222870

Independent Auditor's Report to the Members of Norfolk County Council

The opinion on the Pension Fund's financial statements will be added here once the audit is complete.

Revenue and Fund Account

	Note	2017-18	2018-19
		£000s	**£000s**
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	147,147	147,227
Transfers in from other pension funds	8	11,637	14,336
		158,784	**161,563**
Benefits	9	(134,314)	(138,635)
Payments to and on account of leavers	10	(7,706)	(6,949)
		(142,020)	**(145,584)**
Net additions/withdrawals from dealings with members		**16,764**	**15,979**
Management expenses	11	(17,992)	(20,634)
Net additions/withdrawals from dealings with members including Fund Management Expenses		**(1,228)**	**(4,655)**
Returns on investments			
Investment income	12	60,831	68,738
Taxes on income	13a)	(489)	(507)
Profit and losses on disposal of investments and changes in the market value of investments	14a)	115,009	142,246
Net return on investments		**175,351**	**210,477**
Net increase/decrease in the net assets available for benefits during the year		**174,123**	**205,822**
Opening net assets of the scheme		**3,429,247**	**3,603,370**
Closing net assets of the scheme		**3,603,370**	**3,809,192**

Net Assets Statement

	Note	2017-18	2018-19
		£000s	**£000s**
Investment assets	14	3,584,965	3,825,222
Investment liabilities	14	(5,056)	(2,989)
		3,579,909	**3,822,233**
Long term Debtors	21	3,290	2,119
		3,290	**2,119**
Current Assets			
Debtors	21	19,393	16,232
Cash in hand	21	10,434	13,036
		29,827	**29,268**
Current Liabilities			
Creditors	22	(9,656)	(44,428)
		(9,656)	**(44,428)**
Net Current Assets		**20,171**	**(15,160)**
Net Assets of the Fund available to fund benefits at the period end		**3,603,370**	**3,809,192**

The Fund account 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 20.

Notes to the Pension Fund 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 2018-19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016 (as amended)

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 Executive Director of Finance and Commercial Services.

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 400 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below: This is an increase of 31 employers since 31 March 2018.

	31 March 2018	31 March 2019
Number of Employers with Active Members	**369**	**400**
Full membership including employers with deferred and legacy pension commitments		
Number of Employees in Scheme		
Norfolk County Council	12,869	12,443
Other Employers	15,968	16,624
Total	**28,837**	**29,067**
Number of Pensioners		
Norfolk County Council	12,565	13,052
Other Employers	11,646	12,302
Total	**24,211**	**25,354**
Deferred Pensioners		
Norfolk County Council	20,550	20,130
Other Employers	15,970	16,817
Total	**36,520**	**36,947**
Total membership including employers with deferred and legacy pension commitments	**89,568**	**91,368**

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. Citizens Advice - Mid Norfolk	1. Ad Meliora Academy Trust
2. Great Yarmouth Racecourse Ltd	2. Angel Road Infant School
3. Marlingford and Colton Parish Council	3. Angel Road Junior School
4. Stonham	4. Archbishop Sancroft High School

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
5. The Matthew Project	5. Brisley Church of England Primary Academy
6. Trafalgar College	6. Broadland High Ormiston Academy
	7. Caterlink (College of West Anglia)
	8. Chartswell (Iceni Academy)
	9. Churchill (Acle Academy)
	10. Dickleburgh Church of England Primary Academy
	11. Diss Church of England Junior School
	12. Diss Infant Academy and Nursery
	13. Edwards & Blake (Magdalen Gates Primary)
	14. Edwards & Blake (Unity Trust Kings Park)
	15. Framingham Earl High School
	16. Gayton Church of England Primary Academy
	17. Ghost Hill Infant & Nursery School
	18. Great and Little Plumstead Parish Council
	19. Harleston CE Primary Academy
	20. Hethersett Parish Council
	21. Hopton Church of England Primary Academy
	22. KWEST Multi Academy Trust
	23. Litcham School
	24. Little Snoring Community Primary Academy
	25. Mousehold Infant and Nursery School
	26. Nelson Infant School
	27. Nightingale Infant & Nursery School
	28. North City Children's Centre
	29. Norwich Regeneration Limited
	30. Old Buckenham High School
	31. Raleigh Infant Academy
	32. Sandringham And West Newton Church of England Primary Academy
	33. St. Clements Hill Primary Academy
	34. The Fen Rivers Academy
	35. The Yare Education Trust
	36. Unity Education Trust
	37. Winterton Primary School and Nursery

A full list of participating employers is shown on page 200.

c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2019, employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of actual pensionable pay.

Banding depends on a member’s actual annual pay rate. The table below shows the bands for 2018-19 and 2019-20.

Employee contribution rates are prescribed by the governing regulations, and cannot be varied locally. Employers' contributions are set based on triennial actuarial funding valuations.

The March 2016 valuation set the rates payable by employers for the period 1 April 2017 to 31 March 2020. Excluding lump sum deficit recovery payments these rates range from 0% to 35.0% of actual pensionable pay. The 2019 triennial valuation of the fund is currently in progress and will set the rates for the period 1 April 2020 to 31 March 2023.

Actual Pensionable Pay 2018-19	Contribution rate per year 2018-19	Actual Pensionable Pay 2019-20	Contribution rate per year 2019-20
Up to £14,100	5.5%	Up to £14,400	5.5%
£14,101 to £22,000	5.8%	£14,401 to £22,500	5.8%
£22,001 to £35,700	6.5%	£22,501 to £36,500	6.5%
£35,701 to £45,200	6.8%	£36,501 to £46,200	6.8%
£45,201 to £63,100	8.5%	£46,201 to £64,600	8.5%
£63,101 to £89,400	9.9%	£64,601 to £91,500	9.9%
£89,401 to £105,200	10.5%	£91,501 to £107,700	10.5%
£105,201 to £157,800	11.4%	£107,701 to £161,500	11.4%
More than £157,801	12.5%	£161,501 or more	12.5%

d) Benefits

Pension benefits under the LGPS (until March 2014) were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

	Membership before April 2008	Membership April 2008 to March 2014	Membership from April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	1/49 of pensionable pay in each year
Lump Sum	Automatic lump sum of 3 x salary	No automatic lump sum	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 £1 of 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 £1 of 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 £1 of pension given up

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 (RPI) to the consumer prices index (CPI). This change took effect from 1 April 2011. The appropriate index for April 2019 is 2.4% (3.0% April 2018).

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.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018-19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 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, are disclosed in accordance with the requirements of International Accounting Standard (IAS) 26. Full details of this approach are disclosed at note 20 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 accounts have been prepared on a going concern basis.

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.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

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) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

i) Administrative 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.

ii) Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management and other overheads are apportioned to this activity and charged as expenses to the fund.

iii) 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
Henderson Global Investors	Fixed Income
Baillie Gifford & Co (part year for 2018-19)	UK Equities
M&G	Fixed Income

	2017-18 £000s	2018-19 £000s
Performance-related fees	481	428

Where an investment managers' fee invoice has not been received by the net asset statement 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.

	2017-18 £000s	2018-19 £000s
Value of fees based on estimates	2,433	3,429

The cost of obtaining investment advice from external consultants, investment performance measurement, governance and voting and custody is included within management expense under the relevant heading.

Net Assets Statement

g) 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 in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code of practice and IFRS13 (see note 16a)1)a). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties

The direct property holding was valued as at 31 March 2019. The direct property holding is valued every 3 years at the year-end date in line with the triennial valuation of the Fund. The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The next valuation will be as at 31 March 2022.

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 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 (HSBC) 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 20).

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 (1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 23).

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)

o) Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018 – 2019 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2019 - 2020 code:

- IAS 40 - Investment Property: Transfers of Investment Property
- IFRS 12 - Disclosure of Interests in Other Entities
- IAS 28 - Investments in Associates and Joint Ventures
- IFRIC 22 - Foreign Currency Transactions
- IFRIC 23 - Uncertainty over Income Tax Treatments
- IFRS 9 - Financial Instruments: Prepayment features with negative compensation

The code requires implementation of the above disclosure from 1 April 2019 and IFRS 16 Leases from 1 April 2020. These changes are not considered to have a material effect on the Pension Fund accounts of 2018 – 2019.

p) Contingent assets and contingent liabilities

Contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

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. Aberdeen Standard Investments funds are valued at 31 December and rolled forward for cash flows to 31 March.

	2017-18 £000s	**2018-19 £000s**
Value of unquoted private equity	194,877	212,928

Pooled Investment Vehicle – Property/Freehold Property

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.

Pooled property funds and Limited Partnerships in property have derived underlying assets that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuation of freehold property is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

	2017-18 £000s	2018-19 £000s
Value of Pooled Investment Vehicle – Property/Freehold Property	414,779	428,404

Infrastructure Equity Pooled Fund

Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using a discounted cash flow method.

Audited valuation is carried out annually and is based on the Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

	2017-18 £000s	2018-19 £000s
Value of Infrastructure Equity Pooled Fund	0	59,102

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 19. 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 20). 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 19 and 20 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:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Actuarial present value of promised retirement benefits (measured under IAS26)</td><td>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.</td><td>CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:
<table>
<tr><th>Sensitivity to the assumptions for the year ended 31 March 2019</th><th>Approximate % increase to liabilities</th><th>Approximate monetary amount (£m)</th></tr>
<tr><td>0.5% p.a. increase in the Pension Increase Rate</td><td>8%</td><td>473</td></tr>
<tr><td>0.5% p.a. increase in the Salary Increase Rate</td><td>1%</td><td>81</td></tr>
<tr><td>0.5% p.a. decrease in the Real Discount Rate</td><td>10%</td><td>588</td></tr>
</table>
.</td></tr>
<tr><td>Private Equity</td><td>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.</td><td>The total private equity investments in the financial statements are £212.9million. There is a risk that this investment may be under or overstated in the accounts.

Generally, these investments are valued a minimum of a quarter in arrears. The final valuations received to date at 31st March 2019 indicate an unadjusted increase in asset values of £10.1million.</td></tr>
<tr><td>Pooled Property/Freehold Property</td><td>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</td><td>The total pooled property/freehold property investments in the financial statements are £428.4 million. There is a risk that this investment may be under or overstated in the accounts.</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
	withholding tax. For freehold property the valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	
Pooled Infrastructure Equity	Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using a discounted cash flow method. Audited valuation is carried out annually and is based on the Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	The total Pooled Infrastructure Equity investments in the financial statements are £59.1 million. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the Net Asset Statement Date

Transition Arrangements Age Discrimination

A legal ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals. The rulings have implications for the Local Government Pension Scheme since similar reforms were implemented.

Post the balance sheet date the UK Government's application for leave to appeal to the Supreme Court was refused. The refusal of the application for leave to appeal enabled the Government Actuary Department (GAD) to develop an estimation technique and this has been made available by GAD. The Fund's actuary has adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to total liabilities (i.e. the increase in active members' liabilities expressed in terms of total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £10m. The estimated increase in liabilities is reflected in note 20.

7. Contributions receivable

By Category	2017-18 £000s	2018-19 £000s
Employers – normal	114,776	113,532
Employers – special	736	870
Employers – augmentation	103	15
Employers – strain	2,746	3,105
Members – normal	28,138	28,991
Members – purchase of additional scheme benefits	648	714
Total	**147,147**	**147,227**

Employer normal contributions include deficit recovery contributions as shown below. Where applicable the actuarial certification of the employers' 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.

	2017-18 £000s	2018-19 £000s
Deficit recovery contributions included in employer normal contributions	36,323	32,310
Total	**36,323**	**32,310**

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.

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.

By Authority	**2017-18**	**2018-19**
	£000s	**£000s**
Administering authority	56,443	57,381
Other scheduled bodies	60,750	63,772
Community admission bodies	11,157	8,021
Transferee admission bodies	2,633	2,345
Resolution bodies	16,164	15,708
Total	**147,147**	**147,227**

The LGPS provides scope for employers to award additional years of membership on retirement. If an employer opts to award augmented membership, the employer 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:

	2017-18	**2018-19**
	£000s	**£000s**
Strain instalments due after the net asset statement date	434	136
Total	**434**	**136**

The debtors figure for augmentation/strain due in note 21 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2019.

8. Transfers in from other Pension Funds

	2017-18	**2018-19**
	£000s	**£000s**
Group Transfers	0	4,614
Individual transfers	11,637	9,722
Total	**11,637**	**14,336**

The group transfers figure in 2018-19 represent the transfer in of staff from the Cambridgeshire Pension Fund in respect of Norwich City Council. The individual transfers figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements.

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.

	2017-18	2018-19
	£000s	£000s
HMCS total present value	4,061	2,757
Total	**4,061**	**2,757**

The discounted value of the outstanding cash flows is included in debtor balances at the year-end. 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

	2017-18	2018-19
	£000s	£000s
By Category		
Pensions	108,295	115,356
Commutation and lump sum retirement benefits	23,602	20,445
Lump sum death benefits	2,417	2,834
Total	**134,314**	**138,635**
By Authority		
Administering authority	62,960	65,101
Other scheduled bodies	49,521	50,929
Community admission bodies	6,158	6,058
Transferee admission bodies	3,364	3,867
Resolution bodies	12,311	12,680
Total	**134,314**	**138,635**

10. Payments to and on account of leavers

	2017-18 £000s	2018-19 £000s
Group transfers	368	0
Refunds to members leaving service	360	534
Individual Transfers out to other Schemes	6,978	6,361
Payment made under Regulations 74, 75 and 15(3) and 64 of the Local Government Pension Scheme (Administration) Regulations 2008/2018	0	54
Total	**7,706**	**6,949**

There were no Group Transfers paid out in 2018-19. The 2017-18 Group Transfers figure is made up of one transfer in respect of Norfolk County Council.

11. Management Expenses

Pension fund management expenses for 2018-19 are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Note 11 Management Expenses includes fund administration costs, oversight and governance costs (previously included with the fund administration cost figure) and investment management expenses (including Transaction Costs previously included in investment Purchases and Sales).

	2017-18 £000s	2018-19 £000s
Administrative costs	1,749	1,858
Investment managements expenses	15,748	17,960
Oversight and governance costs	495	816
Total	**17,992**	**20,634**

The Local Government Pension Scheme Regulations enables administration expenses (including Oversight and Governance) to be charged to the Fund.

a) **Investment Expenses**

	2017-18 £000s	2018-19 £000s
Management fees – ad valorem	12,505	15,266
Management fees – performance	481	428
Management expenses on unit trusts	1,168	1,172
Direct Property	0	1
Custody fees	72	71
Fees and Other Expenses	820	498
Transaction costs	702	524
Total	**15,748**	**17,960**

12. Investment Income

	2017-18 £000s	2018-19 £000s
Income from fixed interest securities	134	346
Income from index linked securities	21	37
Equity dividends	23,553	21,333
Pooled property investments	13,647	14,151
Pooled fund income- Unit trusts and other managed funds	12,486	22,786
Private equity income	2,732	1,302
Pooled funds rebate	7,527	7,341
Stock lending	161	230
Interest on cash deposits	505	1,106
Rents from Property (Note 12a)	36	36
Other	29	70
Total Investment Income	**60,831**	**68,738**

a) **Property Income**

	2017-18 £000s	2018-19 £000s
Rental income	36	36
Direct operating expenses	0	(1)
Net income	**36**	**35**

13. Other Fund Disclosures

a) Taxes on Income

	2017-18 £000s	2018-19 £000s
Withholding tax – equities	422	448
Withholding tax – pooled investments	67	59
	489	**507**

b) External Audit costs

	2017-18 £000s	2018-19 £000s
Payable in respect of external Audit	25	25
	25	**25**

14. Investments

	Market Value 31 March 2018 £000s	Market Value 31 March 2019 £000s
Investment assets		
Fixed Interest Securities	60,150	62,784
Equities	796,781	594,826
Pooled Investments	2,016,462	2,450,696
Pooled property investments	414,335	427,934
Private equity Partnerships	194,877	212,928
Property	444	470
Derivatives – futures	4,814	36
Derivatives - forward currency	2,882	1,804
Cash deposits	90,787	73,338
Amounts receivable for sales	3,433	406
Total investment assets	**3,584,965**	**3,825,222**

Investment liabilities		
Derivatives - futures	(96)	(1,655)
Derivatives - forward currency	(1,502)	(1,334)
Amounts payable for purchases	(3,458)	0
Total investment liabilities	**(5,056)**	**(2,989)**
Net investment assets	**3,579,909**	**3,822,233**

a) Reconciliation of Movements in Investments and Derivatives

2018-19	Market value 31 March 2018 £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 2019 £000s
Fixed Interest Securities	**60,150**	377	0	2,257	**62,784**
Equities	**796,781**	475,997	(720,788)	42,836	**594,826**
Pooled investments	**2,016,462**	1,277,590	(928,317)	84,961	**2,450,696**
Pooled property investments	**414,335**	59,220	(48,847)	3,226	**427,934**
Private equity	**194,877**	36,806	(60,782)	42,027	**212,928**
Property	**444**	0	0	26	**470**
	3,483,049	**1,849,990**	**(1,758,734)**	**175,333**	**3,749,638**
Derivative contracts:					
- Futures	**4,718**	15,386	(13,087)	(8,636)	**(1,619)**
- Forward currency contracts	**1,380**	106,305	(80,806)	(26,409)	**470**
	6,098	**121,691**	**(93,893)**	**(35,045)**	**(1,149)**
Other investment balances:					
- Cash deposits	**90,787**				**73,338**
- Amount receivable for sales of investments	**3,433**			1,958	**406**
- Amount payable for purchases of investments	**(3,458)**				**0**
Net investment assets	**3,579,909**			**142,246**	**3,822,233**

2017-18	Market value 31 March 2017 £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 2018 £000s
Fixed Interest Securities	**0**	121,394	(60,379)	(865)	**60,150**
Equities	**985,776**	555,916	(771,492)	26,581	**796,781**
Pooled investments	**1,781,230**	1,042,972	(849,356)	41,616	**2,016,462**
Pooled property investments	**373,430**	35,461	(19,107)	24,551	**414,335**
Private equity	**205,619**	38,057	(67,569)	18,770	**194,877**
Property	**444**	0	0	0	**444**
	3,346,499	**1,793,800**	**(1,767,903)**	**110,653**	**3,483,049**
Derivative contracts:					
- Futures	**0**	16,084	(3,005)	(8,361)	**4,718**
- Forward currency contracts	**2,371**	103,888	(121,403)	16,524	**1,380**
	2,371	**119,972**	**(124,408)**	**8,163**	**6,098**
Other investment balances:					
- Cash deposits	**60,823**			(3,807)	**90,787**
- Amount receivable for sales of investments	**316**				**3,433**
- Amount payable for purchases of investments	**(607)**				**(3,458)**
Net investment assets	**3,409,402**			**115,009**	**3,579,909**

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.

	2017-18 £000s	2018-19 £000s
Transaction costs incurred during the year	702	524

b) Analysis of Investments

	2017-18 £000s	2018-19 £000s
Fixed Interest Securities		
UK - Quoted	60,150	62,784
	60,150	**62,784**
Equities		
UK - Quoted	271,626	35,474
Overseas - Quoted	525,155	559,352
	796,781	**594,826**
Pooled Funds – additional analysis		
UK		
Unit trusts	830,490	256,591
Unitised insurance policies	253,675	218,099
Other managed funds	730,350	1,649,531
	1,814,515	**2,124,221**
Overseas		
Unit trusts	201,947	148,096
Other managed funds	0	178,379
	201,947	**326,475**
Pooled and Freehold Property, Private Equity and Derivatives		
Pooled property investments	414,335	427,934
Private equity	194,877	212,928
Direct Property	444	470
Derivatives – futures	4,814	36
Derivatives – forward currency	2,882	1,804
	617,352	**643,172**
Other Investment Balances		
Cash deposits	90,787	73,338
Amounts receivable for sales	3,433	406
	94,220	**73,744**
Total investment assets	**3,584,965**	**3,825,222**

	2018	2019
Investment liabilities		
Derivatives - futures	(96)	(1,655)
Derivatives – forward currency	(1,502)	(1,334)
Amounts payable for purchases	(3,458)	0
Total investment liabilities	**(5,056)**	**(2,989)**
Net investment assets	**3,579,909**	**3,822,233**

c) Investments Analysed by Fund Manager

	Market Value 31 March 2018		Market Value 31 March 2019	
	£000s	%	£000s	%
Investments Managed by the ACCESS Pool (Link Asset Services)				
LF ACCESS UK Equity Core Fund	0	0.00	258,069	6.75
LF ACCESS Global Equity (ex UK) Fund	0	0.00	608,719	15.92
	0	**0.00**	**866,788**	**22.67**
Investments Managed outside of the ACCESS Pool				
Janus Henderson Global Investors	500,312	13.99	513,424	13.43
Capital International Ltd	391,063	10.92	461,951	12.09
LaSalle Investment Management *	429,336	11.99	449,825	11.77
M&G	416,936	11.65	428,316	11.21
UBS	252,667	7.06	255,526	6.69
Wellington International	229,832	6.42	234,527	6.14
HarbourVest Partners	145,879	4.07	175,154	4.58
Insight Investment **	59,052	1.65	163,362	4.27
Goldman Sachs Asset Management	201,947	5.64	148,096	3.87
Equitix	0	0.00	59,102	1.55
Global Custodian ***	54,182	1.51	43,751	1.14
Aberdeen Standard Investments ****	48,997	1.37	39,205	1.03
Legal & General Investment Management	1,008	0.03	1,065	0.03
Baillie Gifford & Co	255,910	7.15	117	0.00
Fidelity	599,347	16.74	12	0.00
Berenberg Bank **	1,608	0.04	0	0.00
Goldman Sachs International	(8,168)	(0.23)	(17,988)	(0.47)
	3,579,908	**100.00**	**2,955,455**	**77.33**
	3,579,908	**100.00**	**3,822,233**	**100.00**

All the above companies are registered in the United Kingdom.

* Previously Aviva Investors.

** Currency hedging contracts in respect of the Fund’s overseas equity holdings are reported in the Insight Investment and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable. The Insight Investment holding includes the Fixed Interest Securities (Gilts).

*** The assets held by the Global Custodian(s) represent cash held in money market funds primarily to meet the cash flow requirements of the Fund’s private markets programme.

**** Previously SL Capital Partners.

Investments representing more than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2018 £000s	Percentage of Total Fund %	Market Value 31 March 2019 £000s	Percentage of Total Fund %
LF ACCESS Global Equity ex UK A INC	0	0.0	608,719	16.0
M&G Alpha Opportunities Fund	348,881	9.7	352,742	9.3
Link Fund Sol Ltd Access UK Equity Core A Inc	0	0.0	258,069	6.8
UBS Life UK Equity Tracker	252,667	7.0	255,526	6.7
Henderson Managed Multi Asset Credit Fund GBP Acc	160,526	4.5	219,770	5.8
Goldman Sachs Global Strategic Income Bond Portfolio (SIF)	201,947	5.6	148,096	3.9
Fidelity Institutional Exempt America Fund	192,735	5.4	0	0.0
Fidelity Institutional Europe Fund	185,874	5.2	0	0.0

During the year there were no individual investment (a single security) exceeding 5% of the total value of the net assets. Five pooled holdings (five in 2017-18) represent over 5% of the total value of the net assets of the scheme. Each holding is a pooled investment vehicle and comprises the following:

- As at 31 March 2019 the LF ACCESS Global Equity ex UK A INC fund held 200 stocks.
- As at 31 March 2019 the M&G Alpha Opportunities Fund has 442 (2018 391) positions, across 353 (2018 261) issuers.
- As at 31 March 2019 the Link Fund Sol Ltd Access UK Equity Core A Inc fund held 58 stocks.
- At 31 March 2019 the Janus Henderson Multi Asset Credit Fund held 239 (2018 242) individual issues from 200 issuers (2018 185).
- At 31 March 2019 the UBS Life UK Equity Tracker Fund held 653 securities (661 securities as at 31 March 2018).

The UBS investment is a unit linked contract of long term insurance (“the policy”) issued by UBS Asset Management Life Ltd (“UBS Life”). Units in the range of pooled investment funds operated by UBS Life ("Life Funds") are allocated to the Policyholders. The value of the units in a Life Fund are directly linked to the assets legally and beneficially owned by UBS Life and held in that Life Fund. Such units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at UBS Life’s discretion, by a transfer of assets in specie). The underlying assets are predominantly quoted investments which are listed or admitted to trading on a stock exchange (or similar public market) and may also include uninvested cash and derivatives. The policy falls within Class III 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.

d) Stock Lending

	31 March 2018	31 March 2019
	£000s	£000s
Value of quoted equities on loan	109,147	98,237
Value of un-quoted equities on loan	0	0
Fair value of collateral held by Custodian	115,762	104,651
Collateral relative to stock on loan (percentage coverage)	106%	107%

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 (HSBC).

All loans are fully collateralised with government securities, bank letters of credit, certificates of deposit or UK equities settled in CREST. HSBC 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 £50m is applied.

The following table provides an analysis of the securities on loan at 31 March:

Asset Type	Value on loan at 31 March 2018 £000s	Value on loan at 31 March 2019 £000s
UK Equities	46,217	1,999
Overseas Equities	62,929	96,238

At 31 March 2019, securities were on loan to 12 (2018 10) separate borrowers representing 12 (2018 10) parent groups. The largest single parent exposure was 51% (2018 23%) of the lending programme.

e) Property Holdings

Details of the Funds directly owned properties are as follows:

	Year ending 31 March 2018	Year ending 31 March 2019
	£000s	£000s
Opening Balance	444	444
Additions	0	0
Disposals	0	0
Net increase in market value	0	26
Other changes in fair value	0	0
Closing balance	**444**	**470**

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.

15. Analysis of Derivatives

a) 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.

i) 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 also authorised the use of futures by Henderson to assist in meeting the investment objectives that they have been set. Henderson did not hold any futures contracts in its portfolio at 31 March 2019 (2018 nil).

ii) 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. The hedging programme is managed between two currency managers, Berenberg Bank and Insight Investment.

The Fund also requires LaSalle (previously 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.

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.

b) Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000s	Market Value 31 March 2018 £000s	Economic Exposure £000s	Market Value 31 March 2019 £000s
Assets					
UK Equity	Less than 1 year	54,270	951	0	0
Overseas Equity	Less than 1 year	81,590	3,863	8,830	36
Total Assets			**4,814**		**36**
Liabilities					
UK Equity	Less than 1 year	0	0	(34,327)	(795)
Overseas fixed interest	Less than 1 year	(14,957)	(96)	(56,681)	(860)
Total Liabilities			**(96)**		**(1,655)**
Net futures			**4,718**		**(1,619)**

There is £8.2m in respect of initial and variation margins arising on open futures contacts at the year-end included within cash balances (2018 £11.6m).

c) 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	£	16,571	AUD	(29,650)	416	0
Up to one month	£	24,713	EUR	(27,593)	922	0
Up to one month	£	2,601	$	(3,354)	30	0
Between one and three months	£	56,821	EUR	(65,940)	0	(121)
Between one and three months	£	54,498	JPY	(8,000,000)	0	(1,064)
Between one and three months	JPY	8,000,000	£	(55,125)	437	0
Between one and three months	$	38,680	£	(33,552)	0	(150)
Open forward currency contacts at 31 March 2019					**1,805**	**(1,335)**
Net forward currency contracts at 31 March 2019						**470**

Settlement	Currency bought	Local value 000s	Currency sold	Local value 000s	Asset value £000s	Liability value £000s
Prior year comparative						
Open forward currency contacts at 31 March 2018					**2,882**	**(1,502)**
Net forward currency contracts at 31 March 2018						**1,380**

At the 31 March 2019, the fund held £0.0m (2018 £2.6m) cash collateral posted against gains on its Forward foreign currency contracts with Berenberg Bank. The collateral is held in a separate account and is not included in the Revenue Account or Net Asset Statement. Following financial market regulation changes during 2017-18 the Fund uses its segregated fixed Interest securities holding (£62.8m) as a collateral pool against the notional gains and losses on the Insight Investment currency contracts.

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
EUR	Euro
JPY	Japanese yen

16. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equities	Level 1	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.	Not required	Not required

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
UK Gilts and Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields.	Not required	Not required
FX	Level 1	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Equity Futures	Level 1	Published exchange prices at year end.	Not required	Not required
Pooled Investment Vehicle – Equity and Debt	Level 2	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.	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. 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.	Not required
Pooled Investment Vehicle - Property	Level 3	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.	Investments in unquoted property pooled funds are valued at the net asset value or a single price advised by the fund manager. Pooled property funds and Limited Partnerships in property have derived underlying assets that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	Valuations could be affected by Material events.
Freehold Property	Level 3	The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered	Existing lease terms and rentals; Independent market research; Nature of tenancies;	Significant changes in rental growth, vacancy levels or the discount rate

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Surveyors' Valuation Standards (9th Edition)	Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate.	could affect valuations as could more general changes to market prices.
Private Equity	Level 3	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. Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	Observable inputs are subject to judgment by the respective manager, but are applied in accordance with the appropriate industry guidelines.	Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Infrastructure Equity Pooled Fund	Level 3	Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using a discounted cash flow method. Audited valuation is carried out annually and is based on the latest approved individual asset modelled	Observable inputs are subject to judgment by the respective manager, but are applied in accordance with the appropriate industry guidelines.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		cash flows and an asset specific discount rate which is derived and reviewed by external experts to ensure that the asset level risks are taken into account Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.		
Delisted securities		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		Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs.		

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Description of Asset	Asset Valuation Range (+/-)	Value at 31 March 2019	Value on Increase	Value on Decrease
		£000s	£000s	£000s
Pooled Property / Freehold Property	10%	428,404	471,245	385,564
Private Equity	15%	212,928	244,867	180,989
Pooled Infrastructure Equity	15%	59,102	67,967	50,236
Total		**700,434**	**784,079**	**616,789**

The potential movement of +/-10% for Pooled Property / Freehold Property represents a combination of factors, the key one is market prices, which is derived from other factors, such as vacancy levels, rental movements and the discount rate.

Private Equity and Pooled Infrastructure Equity unrealised investments are typically valued in accordance with fair market value principles set out in the valuation policy and applicable valuation guidelines set out in international accounting standards. Actual realised returns on unrealised investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale. Accordingly, the actual valuations on these unrealised investments may differ materially from those indicated and could be up to 15% (or higher or lower).

a) Fair Value Hierarchy

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 fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Private Equity

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.

Pooled Property

The values of the investment in private real estate are based on valuations provided by the underlying funds in which the Norfolk Pension Fund has invested. These underlying real estate valuations are generally prepared on an independent basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, which are consistent generally with IFRS. Valuations are usually undertaken on a quarterly basis.

Freehold Property

The direct property holding is valued every 3 years at the year-end date in line with the triennial valuation of the Fund. The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

Infrastructure Equity Pooled Fund

Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using a discounted cash flow method. Audit valuation is carried out annually and is based on the observable inputs are subject to judgment by the respective manager, but are applied in accordance with the appropriate industry guidelines.

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:

Fair Value Hierarchy

Values at 31 March 2019	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000s	£000s	£000s	£000s
Financial assets				
Financial assets at fair value through profit and loss	659,451	2,391,593	699,964	3,751,008
Non-Financial assets at fair value through profit and loss	0	0	470	470
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(2,989)	0	0	(2,989)
Net Investment Assets	**656,462**	**2,391,593**	**700,434**	**3,748,489**

Values at 31 March 2018	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	Level 1	Level 2	Level 3	
	£000s	£000s	£000s	£000s
Financial assets				
Financial assets at fair value through profit and loss	864,627	2,016,462	609,212	3,490,301
Non-Financial assets at fair value through profit and loss	0	0	444	444
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(1,598)	0	0	(1,598)
Net Investment Assets	**863,029**	**2,016,462**	**609,656**	**3,489,147**

b) Transfers between Levels 1 and 2

There were no transfers between Level 1 and 2 in 2018-19. During the year one new investment was made and classified as level 3 in accordance with the classification guidelines in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

c) Reconciliation of Fair Value Measurements within Level 3

	Market value 1 April 2018	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Pooled and Freehold Property Investments	414,779	0	0	59,220	(48,847)	18,106	(14,854)	**428,404**
Private Equity	194,877	0	0	36,806	(60,782)	31,380	10,647	**212,928**
Infrastructure Pooled Fund	0	0	0	59,102	0	0	0	**59,102**
	609,656	**0**	**0**	**155,128**	**(109,629)**	**49,486**	**(4,207)**	**700,434**

Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

17. Financial Instruments

a) Classification

	31 March 2018			31 March 2019		
	Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**	**Fair value through profit and loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Financial assets						
Fixed interest Securities	60,150			62,784		
Equities	796,781			594,826		
Pooled Investments	2,016,462			2,450,696		
Pooled Property	414,335			427,934		
Private equity	194,877			212,928		
Derivative contracts	7,696			1,840		
Cash		101,221			86,374	
Other investment balances	8,102			2,771		
Debtors		127			162	
	3,498,403	**101,348**	**0**	**3,753,779**	**86,536**	**0**
Financial liabilities						
Derivative contracts	(1,598)			(2,989)		
Creditors			(4,736)			(40,536)
Other investment balances	(3,458)			0		
	(5,056)	**0**	**(4,736)**	**(2,989)**		**(40,536)**
	3,493,347	**101,348**	**(4,736)**	**3,750,790**	**86,536**	**(40,536)**

b) Net gains and losses on Financial Instruments

	31 March 2018 £000s	31 March 2019 £000s
Financial assets		
Fair value through profit and loss	234,981	265,529
Assets at amortised cost	0	0
Financial liabilities		
Fair value through profit and loss	(119,972)	(123,309)
Liabilities at amortised cost	0	0
Total	**115,009**	**142,220**
Reconciliation to Revenue and Fund Account – Profit and losses on disposal of Investments and change in the market value of investments		
Hamlin Way (Not classified as a financial instrument)	0	26
	115,009	**142,246**

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.

18. 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's 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 Fund's performance monitoring advisor, the Fund has determined that the following movements in market price risk are reasonably possible for the 2018-19 reporting period:

Asset Type	Potential Market Movements (+/-) %
Short Index-Linked Gilts	4.10%
Long Index-Linked Gilts	9.20%
UK Equities including pooled	16.60%
Overseas Equities including pooled	16.90%
Infrastructure Equity	20.10%
UK Bonds including pooled	9.70%
Index Linked Gilts including pooled	9.20%
Bonds including pooled	7.70%
Cash and Cash Equivalents (Including Payables and Receivables)	0.50%

Asset Type	Potential Market Movements (+/-) %
Pooled Property Investments	14.30%
Private Equity	28.30%
Total	**10.80%***

* The total % and value on increase/decrease totals are an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

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 Fund's 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 2019 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	72,595	0.50	72,958	72,232
Investment Portfolio Assets:				
Short Index-Linked Gilts	15,686	4.10	16,329	15,043
Long Index-Linked Gilts	12,109	9.20	13,223	10,995
UK Equities including pooled	549,070	16.60	640,216	457,924
Overseas Equities including pooled	1,168,070	16.90	1,365,474	970,666
Infrastructure Equity	59,102	20.10	70,982	47,222
UK Bonds including pooled	759,875	9.70	833,583	686,167
Index Linked Gilts including pooled	34,989	9.20	38,208	31,770
Bonds including pooled	509,405	7.70	548,629	470,181
Pooled Property Investments	428,404	14.30	489,666	367,142
Private Equity	212,928	28.30	273,187	152,669
Total Assets Available to Pay Benefits	**3,822,233**	**10.80**	**4,235,034***	**3,409,432***

Asset Type	Value as at 31 March 2018 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	96,860	0.05%	96,908	96,812
Investment Portfolio Assets:				
Short Index-Linked Gilts	15,467	4.10%	16,101	14,833
Long Index-Linked Gilts	11,522	9.20%	12,582	10,462
UK Equities including pooled	534,850	16.80%	624,706	444,996
Overseas Equities including pooled	1,124,503	17.90%	1,325,789	923,217
UK Bonds including pooled	795,308	9.50%	870,862	719,754
Overseas Bonds including pooled	170,567	9.20%	186,259	154,875
Index Linked Gilts including pooled	221,176	8.40%	239,755	202,597
Pooled Property Investments	414,779	14.30%	474,092	355,466
Private Equity Partnerships	194,877	28.30%	250,027	139,727
Total Assets Available to Pay Benefits	**3,579,909**	**9.30%**	**3,912,841***	**3,246,977***

* The total % and value on increase/decrease totals are an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

The 2017-18 totals in the value on increase/decrease columns have been represented.

b) 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 2018 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2018 £000s	Value as at 31 March 2019 £000s
Investment Cash Balances	90,787	73,338
Cash in hand	10,434	13,036
Fixed Interest Securities	60,150	62,784
Total	**161,371**	**149,158**

Asset Type	Interest Receivable 31 March 2018 £000s	Interest Receivable 31 March 2019 £000s
Investment Cash Balances	**477**	**1,033**
Cash in hand	**28**	**73**
Fixed Interest Securities	**154**	**383**
Total	**659**	**1,489**

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	Asset values at 31 March 2019 £000s	Impact of +1% £000s	Impact of -1% £000s
Investment Cash Balances	73,338	74,071	72,605
Cash in hand	13,036	13,166	12,906
Fixed Interest Bonds	62,784	63,412	62,156
	149,158	**150,649**	**147,667**

Asset Type	Asset values at 31 March 2018 £000s	Impact of +1% £000s	Impact of -1% £000s
Investment Cash Balances	90,787	91,695	89,879
Cash in hand	10,434	10,538	10,330
Fixed Interest Bonds	60,150	60,752	59,548
	161,371	**162,985**	**159,757**

Asset Type	Interest Receivable 31 March 2019 £000s	Impact of +1% £000s	Impact of -1% £000s
Investment Cash Balances	1,033	1,043	1,023
Cash in hand	73	74	72
Fixed Interest Bonds	383	387	379
	1,489	**1,504**	**1,474**

Asset Type	Interest Receivable 31 March 2018 £000s	Impact of +1% £000s	Impact of -1% £000s
Investment Cash Balances	477	482	472
Cash in hand	28	28	28
Fixed Interest Bonds	154	156	152
	659	**666**	**652**

In addition the above interest receivable the fund holds debt pooled fund investments. These are a mix of multi asset credit vehicles including fixed and variable interest rate securities.

c) 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 the page is prepared after consideration of the hedging strategies in place.

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 10.80% 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 10.80% 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 2019	Change to net assets available to pay benefits	
		+10.80%	-10.80%
	£000s	£000s	£000s
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,168,070	126,152	(126,152)
Private Equity	212,928	22,996	(22,996)
Change in net assets available to pay benefits		**149,148**	**(149,148)**

Currency Exposure – Asset Type	Asset Value as at 31 March 2018	Change to net assets available to pay benefits	
		+3.10%	-3.10%
	£000s	£000s	£000s
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,124,506	34,860	(34,860)
Private Equity	194,877	6,041	(6,041)
Change in net assets available to pay benefits		**40,901**	**(40,901)**

d) 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.

Where a direct counterparty relationship exists, cash collateral is posted when the value of unrealised profit due to the Fund exceeds an agreed limit.

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) 31 March 2018**	**Balances at 31 March 2018 £000s**	**Short term Rating (S&P) 31 March 2019**	**Balances at 31 March 2019 £000s**
Bank Deposit Accounts				
Barclays Bank PLC	A-1	3,302		
Federated Money Market Fund	AAA	3,301	AAA	6,508
Aberdeen Money Market Fund			AAA	6,507
Bank current Accounts				
Barclays Bank	A-1	3,831	A-1	15
Total		**10,434**		**13,030**

The majority of Custodied Investment cash is swept overnight to the AAA rated constant NAV money market funds of the custodian(s) and one other provider (Goldman Sachs Asset Management). The credit exposure on investment cash balances at 31 March 2019 comprise £65.1m (31 March 2018 £76.4m) deposited with AAA rated money market funds, £2.1m (2018 £2.7m overdrawn) with the custodian HSBC (rated A-1+), £6.1m (2018 £11.6m) posted as variation margin to account held by HSBC and deposited overnight in the AAA money market funds detailed above.

e) 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 2019 (2018 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 2018 £000s	**Percentage of Total Fund Assets %**	**Balances at 31 March 2019 £000s**	**Percentage of Total Fund Assets %**
609,656	17.0	700,434	18.3

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 2019 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.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 ("The Regulations"), 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 valuation took place as at 31 March 2016. The 2019 Valuation is currently underway.

The funding policy is set out in the administering authority's Funding Strategy Statement. 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 stable where appropriate;
- to minimise the long-term cost of the Fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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**
2016 actuarial valuation	80%	710
2013 actuarial valuation	78%	705

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance. For 2013 the common rate was 29.6%.

Primary Rate (% of pay) 1 April 2017 - 31 March 2020	Secondary Rate £ 2017-18	2018-19	2019-20
19.4%	26,306,000	27,463,000	31,810,000

The employer contribution rates payable (plus cash sums as applicable) arising from the 2016 Valuation are as follows:

Year	Employers Contribution Rates (% of actual pensionable pay)
1 April 2017 to 31 March 2018	Range from nil to 35.0
1 April 2018 to 31 March 2019	Range from nil to 35.0
1 April 2019 to 31 March 2020	Range from nil to 35.0

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 2016 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 2016

	% per annum Nominal	% per annum Real
Price inflation (CPI)	2.2	-
Pay increases	2.5	0.3
Investment return (Discount rate)	3.8	1.6

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. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Mortality assumption at age 65	Male	Female
Current Pensioners	22.1 years	24.4 years
Future Pensioners (current age 45)	24.1 years	26.4 years

The assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2016 Triennial valuation.

Commutation assumption

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

5.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

20. 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 FRS102 (previously 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/FRS102 (previously 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 19).

	31 March 2018 £000s	**31 March 2019 £000s**
Actuarial present value of promised retirement benefits	(4,999,000)	(5,627,000)*
Fair Value of scheme assets (bid value)	3,603,370	3,809,192
Net Liability	**(1,395,630)**	**(1,817,808)**

* Includes £10M for the estimated impact of the recent McCloud ruling and £12M for the estimated impact of GMP indexation changes.

The liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

<u>McCloud Ruling</u>

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

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government’s application for leave to appeal to the Supreme Court was refused. The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members’ benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

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

The Fund’s actuary has adjusted GAD’s estimate to better reflect the Norfolk Pension Fund’s local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to total liabilities (i.e. the increase in active members’ liabilities expressed in terms of total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £10M.

Guaranteed minimum pension (GMP)

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

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

The fund’s actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities. The estimate of £12M assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

.Assumptions Used	31 March 2018 %	31 March 2019 %
Inflation/Pension Increase Rate Assumption	2.4	2.5
Salary Increase Rate	2.7	2.8
Discount Rate	2.7	2.4

21. Current Assets

	31 March 2018 £000s	31 March 2019 £000s
Cash In Hand		
Cash In Hand**	10,434	13,036
Debtors:		
Contributions due - employees*	2,220	2,515
Contributions due - employers*	8,007	7,298
Employers special contributions	1,819	1,406
Augmentation & strain due	945	597
Dividends receivable**	2,920	1,191
Pooled funds rebate due**	1,740	1,133
UK tax receivable	749	921
Overseas tax receivable	625	922
VAT refund due	229	38
Interest due**	9	23
Stock lending/commission recapture**	0	18
Recharge of fees**	114	154
Prepayments	3	8
Sundry**	13	8
Debtors	**19,393**	**16,232**
Current Assets	**29,827**	**29,268**

* Principally represents amounts due in respect of March payrolls but payable the following month

** Cash and Debtors classed as financial instruments (assets) note 17a).

	31 March 2018 £000s	31 March 2019 £000s
Long term debtors:		
Employers contributions	2,658	2,057
Augmentation & strain due	632	62
	3,290	**2,119**

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.

	31 March 2018 £000s	31 March 2019 £000s
Analysis of Debtors:		
Central government bodies	5,667	4,646
Other local authorities	7,009	4,383
Other entities and individuals	10,007	9,322
	22,683	**18,351**

22. Current Liabilities

	31 March 2018 £000s	31 March 2019 £000s
Creditors:		
Transfer values payable (leavers)	175	610
Benefits payable	3,702	2,151
Investment Management Fees**	2,433	3,429
Receipts in Advance	0	34,512
Other Fees & Charges**	2,296	2,593
UK Taxation payable	1,043	1,131
Sundry creditors**	7	2
	9,656	**44,428**

The receipt in advance represents an agreed pre-payment of employer contributions in respect of the 2019-20 financial year

** Creditors classed as financial instruments (liabilities) note 17a).

	31 March 2018 £000s	31 March 2019 £000s
Analysis of Creditors:		
Central government bodies	1,058	1,145
Other local authorities	2,165	36,824
Other entities and individuals	6,433	6,459
	9,656	**44,428**

23. 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 2018 £000s	Market Value 31 March 2019 £000s
Separately Invested AVC Funds	5,229	5,709

	2017-18 £000s	2018-19 £000s
AVC contributions paid directly during the year	654	1,068

24. Agency Contracted Services

The Norfolk Pension Fund pays discretionary awards to the former employees of Norfolk County Council, the seven Norfolk district councils and twenty five other employers. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below:

	31 March 2018 £000s	31 March 2019 £000s
Norfolk County Council	1,245	1,225
Norwich City Council	1,175	1,190
North Norfolk District Council	253	252
Borough Council of Kings Lynn & West Norfolk	241	238
Great Yarmouth Borough Council	188	183
Broadland District Council	105	107
Breckland District Council	99	101
South Norfolk District Council	57	58
Other	158	160
	3,521	**3,514**

25. 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 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).

The council is also the single largest employer of members in the pension fund.

	2017-18 £000s	2018-19 £000s
Norfolk County Council incurred administration and investment costs reimbursed by the fund	2,161	2,320
Norfolk County Council Employer Contributions	43,018	44,254

All monies owing to and due from the fund were paid within statutory timescales.

All contributions were paid in accordance with the rates and adjustment certificate.

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.

	2017-18 £000s	2018-19 £000s
Average investment balance held by NCC Treasury Management Operation	9,066	11,342
Interest earned on balances invested by NCC Treasury Management Operation	28	73

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. Declarations of interest are recorded in the minutes of each Committee meeting as part of the public record and a copy can be found on the Norfolk County Council website under Pension Committee papers at www.norfolk.gov.uk.

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 19 of the Statement of Accounts of the Administering Authority (Norfolk County Council). This disclosure includes the Executive Director of Finance and Commercial Services 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.

The Administering Authority (Norfolk County Council) disclosure of senior officer remuneration includes the Executive Director of Finance and Commercial Services 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. For 2018-19 the remuneration amount incurred by the Fund was £9,000 (£9,000 2017-18).

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 transfer.

26. Contractual Commitments, Contingent Assets and Liabilities

a) Contractual Commitments

	31 March 2018 £000s	31 March 2019 £000s
Private equity partnerships	166,012	219,520
Property investment vehicles	19,314	15,370
Pooled Debt Funds	538	25,172
Pooled Infrastructure	0	250,489
Total	**185,864**	**510,551**

At 31 March 2019 the Fund had made contractual commitments to private equity funds managed by Aberdeen Standard Investments and HarbourVest Partners. Commitments are made in the underlying currency of the Fund (Euros and US 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 31 March 2019 is included in the net asset statement.

In addition to the private equity commitments, within the LaSalle (previously Aviva) property portfolio there are unfunded commitments to various property investment vehicles. This total potentially includes Sterling and US Dollar denominated commitments as at 31 March 2019. The foreign exchange exposure on the funded portion of these positions is hedged within the LaSalle portfolio but the unfunded commitments are impacted by exchange rate volatility. There are also commitments on the M&G Debt opportunities portfolio.

During 2019 the Fund entered in to contractual relationships with four Infrastructure managers. The contractual commitments associated with the new investments are shown above. As at 31 March 2019 only Equitix had drawn down on the capital commitment.

b) Contingent Assets

The Administering Authority held charges on property at 31st March 2019, relating to funding agreements put in place with one employer. This agreement allows the employer to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. The total charge on one property was £0.233m (2018 £0.233m). Following the cessation of the employer the security related to the charge was released post the balance sheet date.

Appendix 1 - Participating Employers (Employers with active members during the year)

Employer	Type
Acle Academy	Scheduled/Resolution Body
Acle Parish Council	Scheduled/Resolution Body
Action for Children (Wells)	Admitted Body
Action for Children (Dereham)	Admitted Body
Action for Children (Hethersett)	Admitted Body
Action for Children (Thorpe)	Admitted Body
Ad Meliora Academy Trust	Scheduled/Resolution Body
Admirals Academy	Scheduled/Resolution Body
AfC (Ex 4Children)	Admitted Body
Alderman Peel High	Scheduled/Resolution Body
Alive Leisure Trust	Admitted Body
Alive Management Ltd	Scheduled/Resolution Body
All Saints Academy	Scheduled/Resolution Body
Angel Road Infant School	Scheduled/Resolution Body
Angel Road Junior School	Scheduled/Resolution Body
Anglia Maintenance Services	Admitted Body
Anthony Curton Primary School	Scheduled/Resolution Body
Antingham & Southrepps Community Primary School	Scheduled/Resolution Body
Archbishop Sancroft High School	Scheduled/Resolution Body
Arden Grove Infant and Nursery Academy	Scheduled/Resolution Body
Aslacton Primary School	Scheduled/Resolution Body
Astley Primary	Scheduled/Resolution Body
Attleborough High School Academy	Scheduled/Resolution Body
Attleborough Town Council	Scheduled/Resolution Body
Aylsham Town Council	Scheduled/Resolution Body
Banham Community Primary School	Scheduled/Resolution Body
Barford & Wramplingham Parish Council	Scheduled/Resolution Body
Bawdeswell Community Primary School	Scheduled/Resolution Body
Beeston Primary	Scheduled/Resolution Body
Beighton Parish Council	Scheduled/Resolution Body
Belton with Browston Parish Council	Scheduled/Resolution Body
Biffa Municipal Ltd	Admitted Body
Bignold Primary School	Scheduled/Resolution Body
Bishop's Primary School	Scheduled/Resolution Body
Blenheim Park Primary School	Scheduled/Resolution Body
Blofield Parish Council	Scheduled/Resolution Body
Borough Council of King's Lynn & West Norfolk	Scheduled/Resolution Body
Bradwell Parish Council	Scheduled/Resolution Body
Breckland Council	Scheduled/Resolution Body

Brisley Church Of England Primary Academy	Scheduled/Resolution Body
Broadland District Council	Scheduled/Resolution Body
Broadland High Ormiston Academy	Scheduled/Resolution Body
Broads (2006) Internal Drainage Board	Scheduled/Resolution Body
Broads Authority	Scheduled/Resolution Body
Brundall Parish Council	Scheduled/Resolution Body
Bunwell Primary School	Scheduled/Resolution Body
Burnham Market Primary	Scheduled/Resolution Body
Burston Primary	Scheduled/Resolution Body
Butterflies Nursery	Scheduled/Resolution Body
Buxton With Lamas Parish Council	Scheduled/Resolution Body
Caister Academy	Scheduled/Resolution Body
Castle Acre Church of England Primary School	Scheduled/Resolution Body
Caterlink (College of West Anglia)	Admitted Body
Cawston Parish Council	Scheduled/Resolution Body
Cawston Primary School	Scheduled/Resolution Body
Charles Darwin Primary School	Scheduled/Resolution Body
Chartswell (Iceni Academy)	Admitted Body
Cherry Tree Academy Marham Infant	Scheduled/Resolution Body
Cherry Tree Academy Marham Junior	Scheduled/Resolution Body
Cherry Tree Academy Trust Marham	Scheduled/Resolution Body
Childhood First	Admitted Body
Churchill (Acle Academy)	Admitted Body
Churchill Park Academy	Scheduled/Resolution Body
Circle Anglia Limited	Admitted Body
City Academy Norwich	Scheduled/Resolution Body
City College Norwich	Scheduled/Resolution Body
City of Norwich School	Scheduled/Resolution Body
Clenchwarton Primary School	Scheduled/Resolution Body
Cliff Park Ormiston Academy	Scheduled/Resolution Body
Cliff Park Schools Trust Ltd	Scheduled/Resolution Body
Cobholm Primary Academy	Scheduled/Resolution Body
Colkirk Church of England Primary School	Scheduled/Resolution Body
College of West Anglia	Scheduled/Resolution Body
Corpusty Primary	Scheduled/Resolution Body
Costessey Infant School (Academy)	Scheduled/Resolution Body
Costessey Junior School (Academy)	Scheduled/Resolution Body
Costessey Town Council	Scheduled/Resolution Body
Cranworth Parish Council	Scheduled/Resolution Body
Cringleford Parish Council	Scheduled/Resolution Body
Cromer Academy Trust	Scheduled/Resolution Body

Cromer Town Council	Scheduled/Resolution Body
Dereham Church of England Junior Academy	Scheduled/Resolution Body
Dereham Town Council	Scheduled/Resolution Body
Dersingham Parish Council	Scheduled/Resolution Body
Diamond Academy	Scheduled/Resolution Body
Dickleburgh Church of England Primary Academy	Scheduled/Resolution Body
Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust)	Scheduled/Resolution Body
Diss Church of England Junior School	Scheduled/Resolution Body
Diss High School (Academy)	Scheduled/Resolution Body
Diss Infant Academy And Nursery	Scheduled/Resolution Body
Diss Town Council	Scheduled/Resolution Body
Ditchingham Church of England Primary Academy	Scheduled/Resolution Body
Downham & Stow Bardolph Internal Drainage Board	Scheduled/Resolution Body
Downham Market Academy	Scheduled/Resolution Body
Downham Market Town Council	Scheduled/Resolution Body
Drayton Community Infant School	Scheduled/Resolution Body
Drayton Parish Council	Scheduled/Resolution Body
Duchy of Lancaster Methwold Church of England Primary	Scheduled/Resolution Body
Dussindale Primary School	Scheduled/Resolution Body
East City Children’s Centre	Scheduled/Resolution Body
East Norfolk Sixth Form College	Scheduled/Resolution Body
East of Ouse, Polver & Nar Internal Drainage Board	Scheduled/Resolution Body
Eastern Inshore Fisheries and Conservation Authority	Scheduled/Resolution Body
Eastgate Academy	Scheduled/Resolution Body
Easton and Otley College	Scheduled/Resolution Body
Eaton Hall Specialist Academy	Scheduled/Resolution Body
Eaton Primary School	Scheduled/Resolution Body
Edith Cavell Academy	Scheduled/Resolution Body
Edward and Blake (Caister Academy)	Admitted Body
Edward Worlledge Primary	Scheduled/Resolution Body
Edwards & Blake (Magdalen Gates Primary)	Admitted Body
Edwards & Blake (Unity Trust Kings Park)	Admitted Body
Edwards & Blake (Wymondham Academy)	Admitted Body
Edwards and Blake	Admitted Body
Edwards and Blake (Reepham High)	Admitted Body
Emneth Primary	Scheduled/Resolution Body
Engage Educational Services	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Town Council	Scheduled/Resolution Body
Filby Primary School	Scheduled/Resolution Body
Firside Junior School	Scheduled/Resolution Body

Flagship Housing Group	Admitted Body
Flegg High School	Scheduled/Resolution Body
Flitcham Church of England Primary Academy	Scheduled/Resolution Body
Foulsham Primary	Scheduled/Resolution Body
Framingham Earl High School	Scheduled/Resolution Body
Framingham Earl Parish Council	Scheduled/Resolution Body
Freebridge Community Housing Ltd	Admitted Body
Garrick Green Academy	Scheduled/Resolution Body
Garvestone Primary School	Scheduled/Resolution Body
Garvestone, Remerston and Thuxton Parish Council	Scheduled/Resolution Body
Gayton Church Of England Primary Academy	Scheduled/Resolution Body
Gaywood Primary	Scheduled/Resolution Body
George White Junior	Scheduled/Resolution Body
Ghost Hill Infant & Nursery School	Scheduled/Resolution Body
Gillingham St Michael’s Primary	Scheduled/Resolution Body
Glebeland Primary School	Scheduled/Resolution Body
Gooderstone Church of England Primary Academy	Scheduled/Resolution Body
Great and Little Plumstead Parish Council	Scheduled/Resolution Body
Great Hockham Primary	Scheduled/Resolution Body
Great Snoring Parish Council	Scheduled/Resolution Body
Great Witchingham Church of England Primary School	Scheduled/Resolution Body
Great Witchingham Parish Council	Scheduled/Resolution Body
Great Yarmouth Borough Council	Scheduled/Resolution Body
Great Yarmouth Charter	Scheduled/Resolution Body
Great Yarmouth College of Further Education	Scheduled/Resolution Body
Great Yarmouth Norse	Scheduled/Resolution Body
Great Yarmouth Port Authority	Admitted Body
Great Yarmouth Port Company	Admitted Body
Great Yarmouth Primary Academy	Scheduled/Resolution Body
Gresham Village School	Scheduled/Resolution Body
Greyfriars Academy	Scheduled/Resolution Body
Grove House Nursery Primary School	Scheduled/Resolution Body
GYB Services Ltd	Scheduled/Resolution Body
Hardingham Parish Council	Scheduled/Resolution Body
Harleston CE Primary Academy	Scheduled/Resolution Body
Harling Parish Council	Scheduled/Resolution Body
Heacham Infant School	Scheduled/Resolution Body
Heacham Junior School	Scheduled/Resolution Body
Heart Education Trust	Scheduled/Resolution Body
Heartsease Primary Academy	Scheduled/Resolution Body
Heather Avenue Infant	Scheduled/Resolution Body

Hellesdon High School Academy	Scheduled/Resolution Body
Hellesdon Parish Council	Scheduled/Resolution Body
Hemblington Parish Council	Scheduled/Resolution Body
Hemblington Primary	Scheduled/Resolution Body
Henderson Green Primary Academy	Scheduled/Resolution Body
Hethel Innovation Ltd	Admitted Body
Hethersett Academy	Scheduled/Resolution Body
Hethersett Parish Council	Scheduled/Resolution Body
Highgate Infant School	Scheduled/Resolution Body
Hilgay Riverside Academy	Scheduled/Resolution Body
Hillside Avenue Primary and Nursery School	Scheduled/Resolution Body
Hindolveston Parish Council	Scheduled/Resolution Body
Hobart High School Academy	Scheduled/Resolution Body
Hockering Primary Academy	Scheduled/Resolution Body
Holt Town Council	Scheduled/Resolution Body
Hopton Church Of England Primary Academy	Scheduled/Resolution Body
Hoveton Parish Council	Scheduled/Resolution Body
Hunstanton Town Council	Scheduled/Resolution Body
I.E.Trust	Scheduled/Resolution Body
Iceni Academy	Scheduled/Resolution Body
Inclusive Schools Trust	Scheduled/Resolution Body
Independence Matters	Admitted Body
Inspiration Trust	Scheduled/Resolution Body
Jane Austin College	Scheduled/Resolution Body
Kenninghall Primary	Scheduled/Resolution Body
Kettlestone Parish Council	Scheduled/Resolution Body
Kier Support Services	Admitted Body
King Edward VII Academy	Scheduled/Resolution Body
King’s Lynn Internal Drainage Board	Scheduled/Resolution Body
King’s Park Infant School	Scheduled/Resolution Body
King's Lynn Academy	Scheduled/Resolution Body
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
Kings Oak Academy	Scheduled/Resolution Body
Kirby Cane And Ellingham Parish Council	Scheduled/Resolution Body
Konectbus Ltd	Admitted Body
KWEST Multi Academy Trust	Scheduled/Resolution Body
Lafarge Tarmac	Admitted Body
Lingwood and Burlingham Parish Council	Scheduled/Resolution Body
Lingwood Primary Academy	Scheduled/Resolution Body
Lionwood Infant + Nursery	Scheduled/Resolution Body
Lionwood Junior	Scheduled/Resolution Body

Litcham School	Scheduled/Resolution Body
Little Snoring Community Primary Academy	Scheduled/Resolution Body
Little Snoring Parish Council	Scheduled/Resolution Body
Loddon Parish Council	Scheduled/Resolution Body
Lodge Lane Infant School	Scheduled/Resolution Body
Long Stratton High	Scheduled/Resolution Body
Lynn Grove High School (Academy)	Scheduled/Resolution Body
Magdalen Village Academy	Scheduled/Resolution Body
Manor Field Infant Nursery School	Scheduled/Resolution Body
Marshland High School	Scheduled/Resolution Body
Marshland St. James Primary School	Scheduled/Resolution Body
Martham Parish Council	Scheduled/Resolution Body
Martham School Trust	Scheduled/Resolution Body
Mattishall Parish Council	Scheduled/Resolution Body
Mattishall Primary	Scheduled/Resolution Body
Middleton Primary School	Scheduled/Resolution Body
Moorlands Church of England Primary Academy	Scheduled/Resolution Body
Mousehold Infant And Nursery School	Scheduled/Resolution Body
Mundesley Parish Council	Scheduled/Resolution Body
Mundford Church of England Primary	Scheduled/Resolution Body
Nar and St Clement’s Children’s Centre	Scheduled/Resolution Body
Narborough Church of England Primary Academy	Scheduled/Resolution Body
NCS (Assistive Technology)	Scheduled/Resolution Body
NCS Transport Ltd	Scheduled/Resolution Body
Neatherd High School	Scheduled/Resolution Body
Nelson Academy	Scheduled/Resolution Body
Nelson Infant School	Scheduled/Resolution Body
New Anglia Enterprise Council	Admitted Body
New Buckenham Parish Council	Scheduled/Resolution Body
Newton Flotman Parish Council	Scheduled/Resolution Body
Nightingale Infant & Nursery School	Scheduled/Resolution Body
Norfolk Academies Trust	Scheduled/Resolution Body
Norfolk Chief Constable	Scheduled/Resolution Body
Norfolk County Council	Scheduled/Resolution Body
Norfolk Educational Services (NES)	Scheduled/Resolution Body
Norfolk Heritage Fleet Trust	Admitted Body
Norfolk Police and Crime Commissioner	Scheduled/Resolution Body
Norfolk Rivers Internal Drainage Board	Scheduled/Resolution Body
Norman Church of England Primary School	Scheduled/Resolution Body
Norse Care Limited	Scheduled/Resolution Body
Norse Care Services	Scheduled/Resolution Body

Norse Commercial Services	Scheduled/Resolution Body
Norse Eastern	Scheduled/Resolution Body
North City Children's Centre	Admitted Body
North Norfolk Academy Trust	Scheduled/Resolution Body
North Norfolk District Council	Scheduled/Resolution Body
North Walsham Infant and Nursery	Scheduled/Resolution Body
North Walsham Junior	Scheduled/Resolution Body
North Walsham Town Council	Scheduled/Resolution Body
North Wootton Community School	Scheduled/Resolution Body
Northgate High School	Scheduled/Resolution Body
Northrepps Parish Council	Scheduled/Resolution Body
Norwich Airport Limited	Admitted Body
Norwich City Council	Scheduled/Resolution Body
Norwich Norse	Scheduled/Resolution Body
Norwich Primary Academy	Scheduled/Resolution Body
Norwich Regeneration Limited	Admitted Body
Norwich Road Academy	Scheduled/Resolution Body
Norwich University of the Arts	Scheduled/Resolution Body
Notre Dame High School Academy	Scheduled/Resolution Body
NPS (London) Ltd	Scheduled/Resolution Body
NPS (Norwich) Ltd	Scheduled/Resolution Body
NPS (South East) Ltd	Scheduled/Resolution Body
NPS (South West) Ltd	Scheduled/Resolution Body
NPS Property Consultants Ltd	Scheduled/Resolution Body
Old Buckenham High School	Scheduled/Resolution Body
Old Buckenham Primary School	Scheduled/Resolution Body
Old Catton Parish Council	Scheduled/Resolution Body
Open Academy - Heartsease	Scheduled/Resolution Body
Ormiston Herman Academy	Scheduled/Resolution Body
Ormiston Venture Academy	Scheduled/Resolution Body
Ormiston Victory Academy	Scheduled/Resolution Body
Ovington Parish Council	Scheduled/Resolution Body
Peterhouse Primary School	Scheduled/Resolution Body
Poringland Parish Council	Scheduled/Resolution Body
Queensway Infant Academy and Nursery	Scheduled/Resolution Body
Rackheath Parish Council	Scheduled/Resolution Body
Raleigh Infant Academy	Scheduled/Resolution Body
Redenhall with Harleston Town Council	Scheduled/Resolution Body
Reepham High School and College	Scheduled/Resolution Body
Reepham Primary School	Scheduled/Resolution Body
Reepham Town Council	Scheduled/Resolution Body

Reffley Community School	Scheduled/Resolution Body
Right for Success Academy Sponsorship Trust	Scheduled/Resolution Body
RM Education	Admitted Body
Rockland St Mary	Scheduled/Resolution Body
Rudham Church of England Primary School	Scheduled/Resolution Body
Runcton Holme Church of England Primary School	Scheduled/Resolution Body
Saffron Housing Trust Limited	Admitted Body
Salhouse Parish Council	Scheduled/Resolution Body
Sandringham And West Newton Church Of England Primary Academy	Scheduled/Resolution Body
Saxlingham Nethergate Parish Council	Scheduled/Resolution Body
Scoulton Parish Council	Scheduled/Resolution Body
Sculthorpe Church of England Primary School	Scheduled/Resolution Body
Seething and Mundham Primary	Scheduled/Resolution Body
Sentinel Leisure Trust	Admitted Body
Serco Government Services	Admitted Body
Sewell Park Academy	Scheduled/Resolution Body
Sheringham High School (Academy)	Scheduled/Resolution Body
Sheringham Town Council	Scheduled/Resolution Body
Short Stay School for Norfolk	Scheduled/Resolution Body
Sir Isaac Newton Free School	Scheduled/Resolution Body
Smithdon High School	Scheduled/Resolution Body
Snettisham Parish Council	Scheduled/Resolution Body
Snettisham Primary School	Scheduled/Resolution Body
South Norfolk District Council	Scheduled/Resolution Body
South Walsham Parish Council	Scheduled/Resolution Body
South Wootton Parish Council	Scheduled/Resolution Body
Southery & District Internal Drainage Board	Scheduled/Resolution Body
Southery Academy	Scheduled/Resolution Body
Spixworth Parish Council	Scheduled/Resolution Body
Spooner Row Primary	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston High School	Scheduled/Resolution Body
Sprowston Town Council	Scheduled/Resolution Body
St Andrews Primary School	Scheduled/Resolution Body
St Augustine’s Catholic Primary School	Scheduled/Resolution Body
St Clements HS Academy	Scheduled/Resolution Body
St Edmunds Academy	Scheduled/Resolution Body
St Francis of Assisi Catholic School	Scheduled/Resolution Body
St Germans Academy	Scheduled/Resolution Body
St John the Baptist Trust	Scheduled/Resolution Body

St Martin at Shouldham Church of England Primary Academy	Scheduled/Resolution Body
St Mary & St Peter Catholic Primary School	Scheduled/Resolution Body
St Mary's Church of England Junior School (Academy)	Scheduled/Resolution Body
St Michael's Church of England Academy (King's Lynn)	Scheduled/Resolution Body
St Peter & St Paul Carbroke Church of England Primary Academy	Scheduled/Resolution Body
St Peters Church of England Primary Academy	Scheduled/Resolution Body
St. Clements Hill Primary Academy	Scheduled/Resolution Body
Stalham Academy	Scheduled/Resolution Body
Stalham High School	Scheduled/Resolution Body
Stalham Town Council	Scheduled/Resolution Body
Stradbroke Primary	Scheduled/Resolution Body
Strumpshaw Parish Council	Scheduled/Resolution Body
Suffolk Coastal Services	Scheduled/Resolution Body
Surlingham Primary	Scheduled/Resolution Body
Swaffham Church of England Junior School	Scheduled/Resolution Body
Swaffham Town Council	Scheduled/Resolution Body
Swannington with Alderford LW	Scheduled/Resolution Body
Swanton Morley Parish Council	Scheduled/Resolution Body
Tasburgh Parish Council	Scheduled/Resolution Body
Taverham High School	Scheduled/Resolution Body
Taverham Parish Council	Scheduled/Resolution Body
Ten Mile Bank Community Primary School	Scheduled/Resolution Body
The Fen Rivers Academy	Scheduled/Resolution Body
The Free School Norwich	Scheduled/Resolution Body
The Hewett Academy	Scheduled/Resolution Body
The Howard Junior	Scheduled/Resolution Body
The Nicholas Hamond Academy	Scheduled/Resolution Body
The Wensum Trust	Scheduled/Resolution Body
The Wherry School	Scheduled/Resolution Body
The Yare Education Trust	Scheduled/Resolution Body
Thetford Academy	Scheduled/Resolution Body
Thetford Free School	Scheduled/Resolution Body
Thetford Town Council	Scheduled/Resolution Body
Thomas Bullock Primary	Scheduled/Resolution Body
Thompson Primary	Scheduled/Resolution Body
Thorpe St Andrew School and 6th Form	Scheduled/Resolution Body
Thorpe St. Andrew Town Council	Scheduled/Resolution Body
Thurlton Primary	Scheduled/Resolution Body
Tilney All Saints VC Primary School	Scheduled/Resolution Body
Tivetshall Primary	Scheduled/Resolution Body
Trowse with Newton Parish Council	Scheduled/Resolution Body

Tuckswood Academy and Nursery	Scheduled/Resolution Body
Unity Education Trust	Scheduled/Resolution Body
University Technical College Norfolk	Scheduled/Resolution Body
Upton with Fishley Parish Council	Scheduled/Resolution Body
Upwell Community Primary School	Scheduled/Resolution Body
Valley Primary Academy	Scheduled/Resolution Body
Village Green Children’s Centre	Scheduled/Resolution Body
Village Green Nursery	Scheduled/Resolution Body
Walpole Cross Keys Primary School	Scheduled/Resolution Body
Walsingham Parish Council	Scheduled/Resolution Body
Watton Town Council	Scheduled/Resolution Body
Watton Westfield Infant & Nursery School	Scheduled/Resolution Body
Wayland High School Academy	Scheduled/Resolution Body
Wayland Junior Academy	Scheduled/Resolution Body
Weasenham Church of England Primary School	Scheduled/Resolution Body
Weeting VC Primary School	Scheduled/Resolution Body
Wells Next The Sea Primary	Scheduled/Resolution Body
Wells-Next-The-Sea Town Council	Scheduled/Resolution Body
Wensum Junior School	Scheduled/Resolution Body
West Lynn Primary	Scheduled/Resolution Body
West Raynham VC Primary School	Scheduled/Resolution Body
Whitefriars Church of England Primary Academy	Scheduled/Resolution Body
Wimbotsham and Stow Academy	Scheduled/Resolution Body
Winterton on Sea Parish Council	Scheduled/Resolution Body
Winterton Primary School And Nursery	Scheduled/Resolution Body
Woodlands Primary Academy	Scheduled/Resolution Body
Wormegay Primary	Scheduled/Resolution Body
Wroughton Infant Academy	Scheduled/Resolution Body
Wroughton Junior Academy	Scheduled/Resolution Body
Wroxham Parish Council	Scheduled/Resolution Body
Wymondham Academy College	Scheduled/Resolution Body
Wymondham High Academy	Scheduled/Resolution Body
Wymondham Town Council	Scheduled/Resolution Body

Glossary of Terms

ACCOUNTING POLICIES The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

ACCRUALS Amounts included in the 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 asset.

AMORTISED COST A mechanism that sees through contractual terms to measure the real cost/benefit that a council bears each year from being party to a financial liability/asset. For instance, if a premium is paid for the right to enter into a loan at less than market rates or a period of lower than market interest rates is granted and compensated for by a period of higher than market rates, councils are required to account using a single effective interest rate. Interest payable in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement will then be recognised on a level interest rate basis over the expected life of the loan.

ASSET An item owned by the Council which has a value, for example, premises, vehicles, equipment, cash. Fixed assets or long term assets yield benefits to the Council and the services it provides for a period of more than one year.

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.).

BORROWING Local authorities can 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 and in the short term to smooth daily cash flow requirements. The principal source of borrowings for more than 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 Payments for the acquisition, construction or replacement of an asset, or expenditure which adds to the life or value of an existing asset (enhancement).

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 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 to meet 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: 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 useful life and may have restrictions on their disposal.

CONTINGENT LIABILITIES Potential costs that the Council may incur in the future because of something that happened in the past. A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

CORPORATE AND DEMOCRATIC CORE (CDC) Corporate and Democratic Core represents costs associated with democratic representation 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 received for which payment has not been made as at 31 March.

DEBTORS Amounts owed to the Council for goods and services provided for which payment has not been received as at 31 March.

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

DEFINED BENEFIT SCHEME A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

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

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.

FAIR VALUE The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL INSTRUMENT Any contract that gives rise to a financial asset in one organisation and a financial liability in another. A financial asset is a right to future economic benefits, examples include the lending of money. A financial liability is an obligation to transfer economic benefits, examples include the borrowing of money.

FINANCE AND OPERATING LEASE A finance lease transfers all the risks and rewards of ownership of an asset to the lessee. If these leases are used, the assets acquired must be included within the fixed 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's revenue account.

GENERAL FUND The account to which the cost of providing the Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

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 an 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 A type of asset that have an indefinite useful life and are not usually capable of being sold. Expenditure on infrastructure assets 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 assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights

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.

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 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 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.

OUTTURN The actual amount spent in the financial year.

PRIVATE FINANCE INITIATIVE (PFI) A Government initiative that enabled, 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 1 April 2004 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.

PUBLIC WORKS LOANS BOARD (PWLB) A Government controlled agency that provides a source of borrowing for public authorities.

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.

REVENUE SUPPORT GRANT (RSG) Central Government pays Revenue Support Grant to County Councils and District Councils in respect of local authority expenditure generally.

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.

UK GAAP (GENERALLY ACCEPTED ACCOUNTING PRACTICES in the UK) The body of accounting standards and other guidance published by the UK's Financial Reporting Council (FRC).

Norfolk County Council
County Hall
Martineau Lane
Norwich
Norfolk NR1 2SQ

This document has been produced by the Corporate Accountancy Team.
If you have any queries, please contact the team on 0344 800 8020

Norfolk County Council
Audit Results report

Year ended 31 March 2019

24 July 2019

Building a better working world

A220

Audit Committee
Norfolk County Council

24 July 2019

Dear Committee Members

We are pleased to attach our Audit Results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Norfolk County Council (the 'Authority') for 2018/19. We will update the Audit Committee at its meeting scheduled for 29 July 2019.

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

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 29 July 2019.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

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

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

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

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented at the 31 January 2019 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception concerning a change in materiality :

- We updated our planning materiality assessment using the 2018/19 draft statement of accounts. Based on our materiality measure of 1.8% of gross expenditure on provision of services, we have updated our overall materiality assessment to:
    - £25.7 million for the single entity accounts (Audit Plan – £25.1 million). This results in updated performance materiality, at 75% of overall materiality, of £19.3 million, and an updated threshold for reporting misstatements of £1.2 million.
    - £30.2 million for the group accounts (Audit Plan – £28.8 million). This results in updated performance materiality, at 75% of overall materiality, of £22.6 million, and an updated threshold for reporting misstatements of £1.2 million.

- Fire Pension Scheme - We updated our planning materiality assessment using the 2018/19 draft statement of accounts. Based on our materiality measure of 1.8% of benefits payable we have updated our materiality to £156,942 (Audit Plan - £160,848) with a reporting threshold for audit differences of £7,847.

Status of the audit

We have substantially completed our audit of the Authority's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

▸ Defined benefit pension schemes	▸ Group consolidation procedures	▸ Receipt and review of the final version of the financial statements.
▸ Income and expenditure testing	▸ Payroll	▸ Final Partner and Senior Manager review of the completed audit work
▸ Fire fighters pension fund accounts	▸ Provisions	▸ Completion of subsequent events review
▸ Documentation and review of our testing of manual journals.	▸ Disclosure notes	▸ Receipt of the signed accounts and management representation letter

There is an ongoing national issue which has required a late change to the pension fund accounts and IAS19 fund liability disclosures for local government and firefighters. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling, and a High Court case ruling that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females . There have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has lead to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. The Authority requested the actuary re-calculate the IAS19 liability and in year movement to reflect both McCloud and GMP. The combined impact is set out in section 2 and 4 of this report.

Executive Summary

Audit differences

Adjusted audit differences

At the time of writing this report, we have not identified any audit differences with an aggregated impact above our reporting level of £19.3 million. Further details on the adjustments agreed with Management can be found in Section 4 - Audit Differences.

We have also identified a limited number of minor disclosure adjustments which have been corrected by management in the revised financial statements subject to approval. We do not deem any to be so significant as to merit reporting to you.

Unadjusted audit differences

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

Areas of audit focus

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

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

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

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

Correspondence from the Public

We have received correspondence from two members of the public. We treated the correspondence as information provided to the auditor as part of the audit and have no matters to report as a result.

We did not receive any formal objections or questions from members of the public.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. During the audit, we have not identified any significant deficiencies in internal controls that require reporting to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our audit plan we identified a significant risk relating to the challenges facing the Authority to address longer term financial resilience issues.

We have included in Section 5 the detailed work we carried out in response to this risk. Whilst we are satisfied that the Authority has proper arrangements in place in respect for taking informed decisions, deploying resources in a sustainable manner and working with partners and other third parties we do also highlight that, despite these arrangements, there remain risks around the financial resilience of the Authority and its ability to meet future gaps in funding requirements.

Other reporting issues

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

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. At the time of writing this report we are yet to complete our work on the Whole of Government Accounts (WGA) return and will provide you with an update at the Audit Committee.

We therefore expect to issue the audit certificate at a later date to the audit opinion.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

02 Areas of Audit Focus

Significant risk

Misstatement due to fraud or error

What is the risk?

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

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

Significant Risk

What did we do?

We carried out the following procedures:

- Identified fraud risks during the planning stages.
- Made inquiries of management about risks of fraud and the controls put in place to address those risks.
- Obtained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered of the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What are our conclusions?

As reported in our Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

The results of our work on these specific risks are set out on the following pages.

We have not identified any new areas at risk of manipulation.

Significant risk

Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure

What is the risk?

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

What did we do and what judgements did we focus on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

We have performed the following procedures to address the risk:

- Capital additions testing - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature.
- Data analytics journal entry testing - As part of our testing of journals we included specific tests to search for unusual activity that:
  - Moves expenditure from the CIES to PPE on the balance sheet.
  - Reduces expenditure and creditors.

What are our conclusions?

- Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value;
- Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified; and
- Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Significant Risk

Significant risk

Misstatements due to fraud or error – accounting adjustments made in the 'Movement in Reserves Statement'.

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:

- Revenue Expenditure Funded from Capital Under Statute (REFCUS)
- Capital Grants
- Depreciation, impairments and revaluation losses
- Minimum revenue provision

What did we do and what judgements did we focus on?

The adjustments between accounting basis and funding basis under regulation in the financial statements materially changes the charges to the General Fund balance. This line is shown in the Movement in Reserves Statement. As the Regulations are varied and complex there is an inherent risk that management use this line to manipulate the General Fund balance. We identified the following areas as having a higher risk of management override:

- Revenue items incorrectly identified as Revenue Expenditure Funded from Capital Under Statute,(REFCUS) thus funded from capital.
- Removal of capital grants from the General Fund through the MiRS. These are material amounts and could be incorrectly applied to fund revenue items.
- Depreciation, impairment and revaluation losses. Charged to the surplus or deficit on the provision of services and then adjusted through the MiRS to unusable reserves.

To address this risk we:

- Sample tested REFCUS to ensure the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- Reconciled entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants; and
- Reviewed the Authority's policy and application of the 'Minimum Revenue Provision'.

What are our conclusions?

- Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- Entries in the Movement in Reserves Statement were reconciled to other balances within the financial statements; and
- No issues were identified with the Authority's application of the minimum revenue provision policy.

Significant Risk

Area of Audit Focus

Conversion of schools to Academies

As set out in our Audit Plan, a number of schools have continued to convert to academy status during 2018/19. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.

There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Authority's accounts are considered to be lower risk due to their size and nature.

To address this risk we:

- Reviewed the arrangements for identifying the school assets, liabilities and balances for transfers; and
- Reviewed how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.

Our conclusions are:

- Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions; and
- Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.

Area of Audit Focus

Accounting for Property, Plant & Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

The Council engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk Property, Plant and Equipment may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

To address this risk we:

- Considered the work performed by the Authority's valuer, including the adequacy of scoping the work, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within the appropriate time frame and any changes communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base was not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries had been correctly processed in the financial statements.

Our conclusions are:

- We did not identify any issues with the Authority's valuer, their scoping of work, professional capabilities or results of their valuation procedures;
- Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly;
- Our testing of assets not subject to valuation in 2018/19 confirmed that the remaining asset base was not materially misstated at 31 March 2019; and
- No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.

Area of Audit Focus

Pensions valuations and disclosures

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 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 actuary to the pension fund. Accounting for this scheme involves significant estimation and judgement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

To address this risk we:

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

Our conclusions are:

- At the time of writing we are still awaiting the final IAS19 report from the actuary;
- We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required without identifying any issues; and
- As noted in the Executive Summary, we are awaiting updated financial statements from the Authority which include the impact of the McCloud judgement and GMP on the Authority's overall pension fund liability. The additional liability for the Local Government Pension Scheme (LGPS) is £10.2 million, and for the Fire Pension Scheme £14.3 million. The Authority is adjusting the financial statements for this amendment. Further documentation of this adjustment can be found in Section 4 of this report.

Areas of Audit Focus

Other Areas of Audit Focus – New accounting standards

The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- IFRS 9 – Financial instruments;
- IFRS 15 – Revenue from contracts; and
- IFRS 16 – Leases.

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

Standard	Audit Findings
IFRS 9 – Financial Instruments	Our audit procedures identified some disclosure adjustments. We have not identified any other audit issues.
IFRS 15 – Revenue from Contracts	Our audit procedures for revenue from contracts did not identify any audit issues.
IFRS 16 – Leases	IFRS 16 replaces IAS 17 Leases and its related interpretations. It will now apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority. We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16. IFRS16 will apply to the Norse Group in 2019/20, a year ahead of the application date for Local Government. The Council will therefore need to consider the consolidation adjustments required for the Council's 2019/20 financial statements.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
  - new definitions of assets, liabilities, income and expenses
  - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
  - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).

03 Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Norfolk County Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 50 to the Authority Accounts and notes 1 to 14 to the Group accounts; and
- include the firefighters' 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 2018/19.

In our opinion the financial statements:

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

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit Report (Continued)

Our opinion on the financial statements

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the "*Statement of Accounts 2018-19*", other than the financial statements and our auditor's report thereon. The Executive Director of Finance and Commercial Services is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, 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 2019.

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Executive Director of Finance and Commercial Services

As explained more fully in the "*Statement of the Responsibilities*" set out on page 12, the Executive Director of Finance and Commercial Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Our opinion on the financial statements

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

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

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

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

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

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £1.2 million which have been corrected by management that were identified during the course of our audit:

- £2.2 million adjustment to the net group pension liability. This concerns updated IAS19 reporting for the Norse Group following a re-run of actuarial reports to reflect the final pension fund asset position at 31 March 2019.

The changes have had no impact on the Authority's general fund reserve balance.

The full impact of the McCloud and GMP pension liability adjustments are set out on the next page.

Disclosure Adjustments - We have identified a limited number of minor disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

Summary of unadjusted differences

We highlight the following misstatements greater than £1.2 million which have been corrected by management that were identified during the course of our audit:

There are no uncorrected material misstatements identified as part of our audit at the time of drafting this report.

Audit Differences

McCloud and GMP - Defined benefit pension scheme liability - legal rulings

As noted in the Executive Summary a national issue has resulted in a relatively late changes to the defined benefit pension scheme liability. It relates to legal rulings concerning:

- Age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft financial statements did not recognise this matter, but officers were aware of the issue and intended to disclose it as a contingent liability (Note 49, page 108).
- Lloyds Bank High Court case, where the judge has ruled that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females.

However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has lead to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes.

The additional liability is set out in the table below. The Authority is adjusting the financial statements for this amendment.

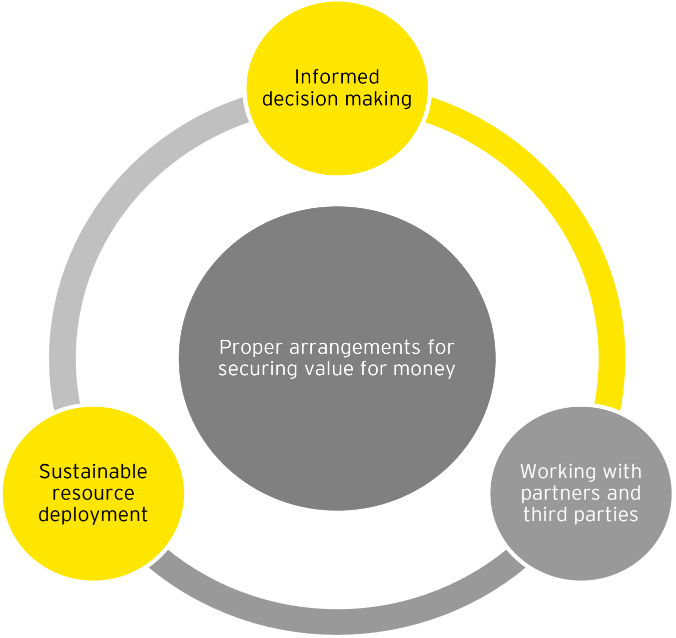
	LGPS	Fire
	£000s	£000s
McCloud	5,185	12,900
GMP	4,997	1,400
Total	10,182	14,300

This results increase to the pension fund liability of £24.5 million, with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted Post Balance sheet event.

- Debit: Balance Sheet – Unusable Reserves: Pensions Reserve = £24.5 million
- Credit: Balance Sheet – Liability related to Defined Benefit Pension Scheme = £24.5 million

05 Value for Money Risks

Value for Money



Background

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

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

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

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

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

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

Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2019 and at the 31 March 2022.

We are satisfied that the Authority has appropriate arrangements in place with regard to the identified significant risk. Our full assessment is set out on the next page.

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

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

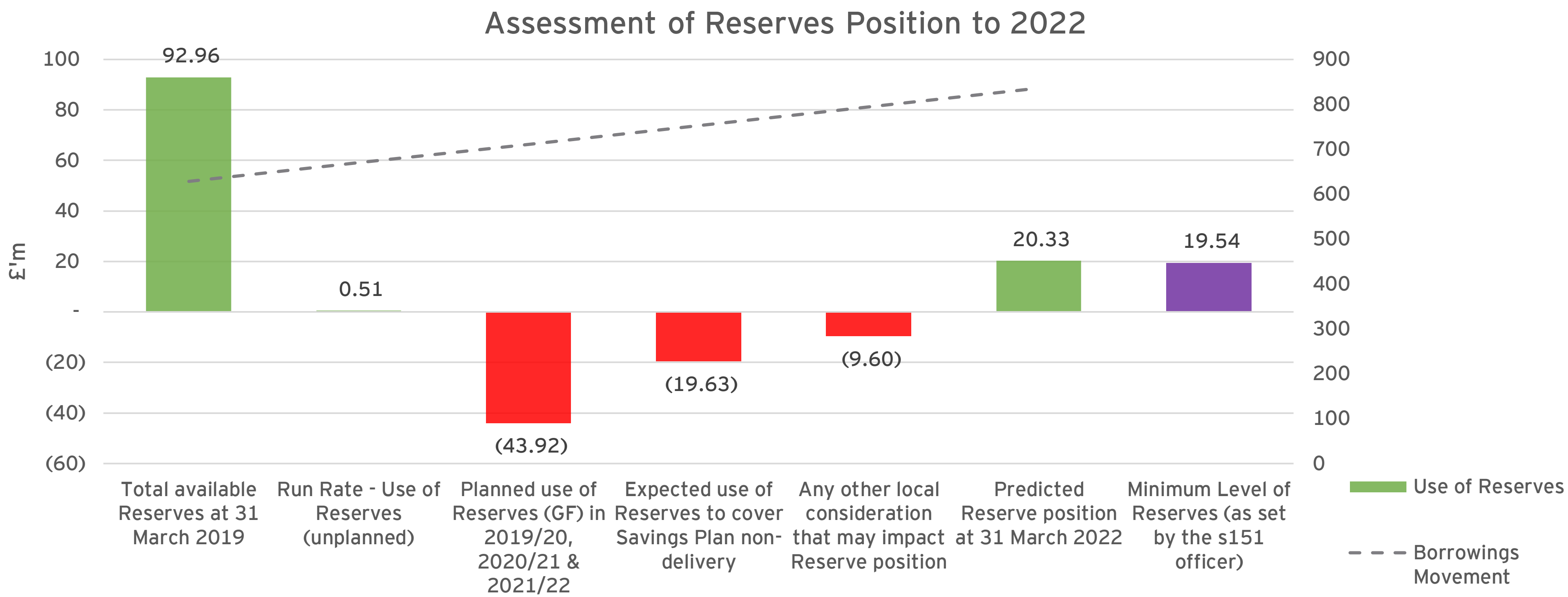
"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.
We present below the findings of our work in response to the risks areas in our audit plan as well as the additional risk identified since then.

Value for Money Risks

What is the significant value for money risk?	What are our findings?
To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. However, substantial savings are required over the period 2018 to 2022 to balance the budget: ▸ 2018/19 = £29.999 million (identified savings) ▸ 2019/20 = £50.322 million (identified savings + budget gap) ▸ 2020/21 = £82.503 million (identified savings + budget gap) ▸ 2021/22 = £10.400 million (identified savings + budget gap) (Source: Norfolk County Council Budget Book 2018-22) The most recent financial forecast (Period 6 figures) for the year ended 31 March 2019 projects an overspend of £4.496 million. (Source: Norfolk County Council P&R agenda and reports 28th November 2018) It is clear that the Council is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for current and future years. Therefore a risk remains that further savings or increased income will not be identified to close the funding shortfalls. (VFM arrangements affected : Taking informed decisions and Deploying resources in a sustainable manner)	The scale of savings and service transformation to be delivered by the Authority over the medium term are significant. The Authority reported a small surplus in 2018/19 and is maintaining its current level of un-earmarked general fund reserves, £19.6 million, above the prudential minimum of £19.3 million set and approved by Full Council. These provide the Authority with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Authority's financial standing. The Authority plans to increase the level of un-earmarked general fund reserves to £26.5 million by 31 March 2022. The Authority also has in place substantial levels of earmarked reserves (£73.3 million at 31 March 2019, excluding school reserves). These have been established for a number of purposes but the existence of these reserves provides further evidence of the Authority's prudent approach to financial management. The Authority achieved c85% of required savings in 2018/19 and to date the Authority has identified the savings required for 2019/20 of £21.3 million. However, the Authority faces significant pressure and uncertainly concerning legislative and policy changes, increasing demand for services, Business Rates Localisation, and uncertainty concerning future funding levels. This is particularly prevalent in two areas: ▸ Children's services, where the Authority continue to experience high and increasing levels of need across numerous areas of service and in relation to children with special educational needs and children at risk of harm. This resulted in a £13.2 million overspend in 2018/19. The Council are responding by considering management arrangement, the service strategy, and recognising the need for further funding and a re-profiling of savings. ▸ Dedicated Schools Grant, where funded services were £2.8 million overspent in 2018/19, the cumulative year-on-year overspend is now £10.8 million. There continues to be significant pressure on the High Needs Block due to ongoing increases in demand and challenges of sufficiency. The Authority have a transformation plan to reduce annual overspends prior to being able to return the cumulative position to a balanced position. However, this is expected to take many years and will be dependent upon future decisions by central government regarding Dedicated Schools Grant funding. Whilst the Authority has continued financial pressures, our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Authority's history of delivering savings plans has not identified any significant matters that we wish to report to you.

Value for Money



Our Assessment

In our assessment we considered the Authority's:

- Level of savings requirement to balance the General Fund budget in each of the next 3 years;
- Planned use of reserves to support the General Fund budget in each of the next 3 years;
- History of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- History of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- Use of the General fund to support future dedicated support grant deficits.

The Authority also has a planned use of borrowing over the same time frame which is shown by the dotted line on the graph.

As a result of our assessment, we are satisfied that based on the current circumstances, the Authority's General Fund reserve balance at the 31 March 2022 will remain above the Authority's current approved minimum level.

06 Other reporting issues

Other reporting issues

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

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

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

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

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

We have no other matters to report.

Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will complete this work in August ahead of the deadline of 13 September 2019.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

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

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have no matters to report.

Correspondence from the Public

We have received correspondence from two members of the public. We treated the correspondence as information provided to the auditor as part of the audit and have no matters to report as a result.

We did not receive any formal objections or questions from members of the public.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 4 January 2019.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 29 July 2019.

Relationships, services and related threats and safeguards

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

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

Independence

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included above.

We confirm that none of the services has been provided on a contingent fee basis.

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

Services provided by Ernst & Young

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

We confirm that we have undertaken agreed upon procedures in relation to Teachers' Pension Return for 2017/18. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Proposed final fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee – Code work	(Note 1)	98,361	134,347
Other non-audit services not covered above (Teachers Pensions)	(Note 2)	-	8,500 (Note 2)
Total fees	To be confirmed	98,361	142,847

All fees exclude VAT

Note 1 – We have yet to conclude our 2018/19 audit and are therefore not in a position to conclude on the final fee for 2018/19.

However, as set out in our Audit Plan (31 January 2019), the scope of our work has increased in 2018/19 to include:

- audit work on the implementation of two new accounting standards (IFRS9 and IFRS15).
- additional work to review the Authority's revised Minimum Revenue Provision policy.

In addition, due to the increase in audit procedures required to address the additional risks and audit findings identified in this Audit Results report, we will need to increase our audit fee. This will result in an revised audit fee which we will agree with the Executive Director of Finance and Commercial Services before gaining approval from Public Sector Audit Appointments Ltd. We will report the final fee to the Audit Committee within our Audit Letter or at a later date, depending on timing.

Note 2 - As set out above, we undertook agreed upon procedures for the Teachers' Pension Return for 2017/18. We have not yet been engaged to undertake this work for 2018/19 but will provide an update on this as required.

09 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
• Property, plant and equipment • Investment property • Long term debtors • Short term investments • Cash and cash equivalents • Short term debtors • Short term creditors • Short and long term borrowings • PFI liability (short and long term) • Liability related to Defined Benefit Pension Scheme • Provisions (short and long term) • Capital grants received in advance • Useable and unusable reserves	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
• Intangible assets • Heritage assets • Inventories • Assets held for sale • Long term investments	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B

Summary of communications

Date	Nature	Summary
4 December 2018	Meeting	The partner in charge of the engagement, and Senior Manager, met with the management to debrief on the 2017/18 audit and discuss audit planning for 2018/19.
31 January 2019	Meeting/Report	The partner in charge of the engagement, and Senior Manager, met with the Audit Committee to discuss the audit planning report and areas of focus for the audit. This included confirmation of independence.
11 March 2019	Meeting	The partner in charge of the engagement, and Senior Manager, met with the management to discuss 2018/19 audit work and medium term financial planning.
18 April 2019	Meeting	We met with the Audit Committee to discuss the ongoing progress of the audit.
28 June 2019	Meeting	The partner in charge of the engagement, and Senior Manager, met with the management to discuss 2018/19 audit work and medium term financial planning.
24 July 2019	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
29 July 2019	Meeting	The partner in charge of the engagement, and Senior Manager, will meet with the Audit Committee to discuss the contents of the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings. The partner in charge of the engagement, along with other senior members of the audit team also met with the external auditor for Norse to communicate group instructions work.

Appendix C

Required communications with the Audit Committee

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

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 31 January 2019
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 29 July 2019
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Norfolk County Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – 29 July 2019

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	No matters have been identified.
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit Results Report - 29 July 2019
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report - 29 July 2019
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the audit committee include: ▸ A declaration of independence ▸ The identity of each key audit partner ▸ The use of non-member firms or external specialists and confirmation of their independence ▸ The nature and frequency of communications ▸ A description of the scope and timing of the audit ▸ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▸ Materiality ▸ Any going concern issues identified ▸ Any significant deficiencies in internal control identified and whether they have been resolved by management ▸ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▸ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▸ The valuation methods used and any changes to these ▸ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▸ The identification of any non-EY component teams used in the group audit ▸ The completeness of documentation and explanations received ▸ Any significant difficulties encountered in the course of the audit ▸ Any significant matters discussed with management ▸ Any other matters considered significant	Audit Plan - 31 January 2019, and Audit Results Report - 29 July 2019

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan - 31 January 2019, and Audit Results Report - 29 July 2019

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Management have given consent for us to request external confirmations.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 29 July 2019
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Plan – 31 January 2019, and Audit Results Report – 29 July 2019
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – 29 July 2019

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 29 July 2019
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - 29 July 2019
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit Plan - 31 January 2019, and Audit Results Report - 29 July 2019

Appendix D - Request for a Letter of Representation

Management Rep Letter

EY
Building a better working world

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ
Tel: + 44 1223 394400
Fax: + 44 1223 394401
ey.com

INVESTOR IN PEOPLE

Simon George
Executive Director of Finance
Norfolk County Council
County Hall
Martineau Lane
Norwich
NR1 2DH

24 July 2019

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Simon,

Norfolk County Council – 2018/19 financial year
Request for a letter of representation

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

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

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

General statement

That the letter of representations is provided in connection with our audit of the consolidated and council financial statements of Norfolk County Council ("the Group and Council") for the year ended 31 March 2019.

You recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Norfolk County Council as of 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

EY
Building a better working world

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

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

A. Financial Statements and Financial Records

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

2. You acknowledge, as members of management of the Group and Council, your responsibility for the fair presentation of the consolidated and council financial statements. You 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 2018/19 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.

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

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

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

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

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

Appendix D – Request for a Letter of Representation (continued)

Management Rep Letter

EY
Building a better working world

3

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

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

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

3. You have disclosed to us the results of your assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

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

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

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

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

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

EY
Building a better working world

4

3. You have made available to us all minutes of the meetings of the Group, Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 July 2019.

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

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

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

D. Liabilities and Contingencies

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

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

3. You have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in the relevant notes to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

Management Rep Letter

EY
Building a better working world

G. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Norfolk County Council Statement of Accounts 2018/19 document.

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

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

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

K. Use of the Work of a Specialist – Property, plant and equipment

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

L. Valuation of Property, Plant and Equipment Assets

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

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

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

EY
Building a better working world

4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

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

6. You confirm that for assets carried at historic cost that no impairment is required.

M. Retirement benefits

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

N. Use of the Work of a Specialist – Pension Liabilities

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

O. Valuation of Pension Liabilities

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

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

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

4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

Management Rep Letter

7

EY
Building a better working world

P. Expenditure Funding Analysis

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

Q. Specific Representations

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

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (currently 30 July 2019) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

EY | Assurance | Tax | Transactions | Advisory

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

ED None

ey.com