Norfolk County Council

Audit Committee

Date: **Thursday 15 October 2020**

Time: **2pm**

Virtual meeting via Teams

Pursuant to The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020, the 15 October 2020 Audit Committee meeting of Norfolk County Council will be held using video conferencing.

Please follow this link to view the meeting online.

Members of the Committee and other attendees will be sent a separate link to join the meeting.

Membership:

Cllr Ian Mackie – Chairman
Cllr Judy Oliver – Vice-Chairman

Cllr Colin Foulger
Cllr Chris Jones
Cllr Haydn Thirtle
Cllr Karen Vincent
Vacancy – Liberal Democrat Group

Please note a training session via Microsoft Teams will be held from 1.15pm to 1.45pm on Thursday 15 October for Members of the Audit Committee.

Agenda

1 **To receive apologies and details of any substitute members attending**

2 **Minutes** Page **4**
To confirm the minutes of the meeting held on 30 July 2020.

3 **Members to Declare any Interests**

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on the matter.

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
    - Exercising functions of a public nature.
    - Directed to charitable purposes; or
    - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

If that is the case then you must declare such an interest but can speak and vote on the matter.

4 **To receive any items of business which the Chair decides should be considered as a matter of urgency**

5 **Annual Statement of Accounts and Annual Governance Statement 2019-20** Page **13**
Report by the Executive Director of Finance & Commercial Services.

6 **Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2020.** Page **260**
Report by the Executive Director of Finance & Commercial Services

	A1 Norfolk County Council EY Audit Results Report 2019-20	To follow
	A2 Norfolk Pension Fund EY Audit Results Report 2019-20	Page **265**
7	**Audit Letters of Representation 2019-20.** Report by the Executive Director of Finance and Commercial Services	Page **307**
8	**Norfolk Audit Services Report for the Quarter ending 30 September 2020.** Report by the Executive Director of Finance & Commercial Services	Page **326**
9	**Risk Management.** Report by the Executive Director of Finance & Commercial Services and the Director of the Norfolk Pension Fund.	Page **342**
10	**Work Programme** Report by the Executive Director of Finance & Commercial Services	Page **387**

Tom McCabe
Head of Paid Service
Norfolk County Council
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 7 October 2020

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Norfolk County Council

Audit Committee
Minutes of the Virtual Teams Meeting held on Thursday 30 July 2020 at 2pm

Present:

Cllr Ian Mackie – Chairman
Cllr Colin Foulger
Cllr Chris Jones
Cllr Ed Maxfield
Cllr Judy Oliver – Vice-Chairman
Cllr Haydn Thirtle
Cllr Tony White

1 Apologies for Absence

1.1 Apologies were received from Cllr Karen Vincent (Cllr Tony White substituted); Simon George, Executive Director of Finance & Commercial Services; Fiona McDiarmid, Executive Director of Strategy & Governance and Mark Hodgson, EY (External Auditors).

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 30 January 2020 were agreed as an accurate record and would be signed by the Chairman as soon as practicably possible.

3 Declaration of Interests

Cllr Haydn Thirtle and Cllr Judy Oliver declared an interest as they were both Members of the Norfolk Pension Fund.

Cllr Ian Mackie declared an interest as he was a Governor at Dussindale Primary School.

4 Items of Urgent Business

4.1 Although there were no items of urgent business, the Chairman took the opportunity to thank the Audit Team for the work they had carried out during the pandemic, as part of the Silver Response Team and for helping other departments whenever possible. He said it showed how Audit were coming to the fore and he wished them all well.

5 Norfolk Audit Services Report for the Quarter ending 30 June 2020.

5.1 The Committee received the report by the Executive Director of Finance & Commercial Services supporting the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The report updated the Committee on the progress of the delivery of the internal audit work and advised on the overall opinion of the effectiveness of risk management and internal control.

5.2 In response to questions from the Committee, the following points were noted:

5.2.1 Due to the covid-19 pandemic the audit plan had not been completed in the way it had been anticipated. Schools had been faced with unprecedented changes when reopening, making it difficult to carry out those planned audits. The Committee was reassured that the Audit Team was in contact with staff in Children's Services, who were best placed to ascertain how schools were operating and the Audit Team was liaising with the schools finance team to offer advice and assistance whenever possible. The Audit Team was aware of the situation and was currently considering how assurance could be given in the event of a second wave of the pandemic.

5.2.2 The Assistant Director of Finance (Audit) would make some enquiries as to how issues such as school food vouchers, etc. could be built into the audit process.

5.3 The Committee considered the report and **RESOLVED** to

- **Agree** the key messages featured in the report; that the work and assurance meet their requirements and advise if further information is required.

6 Norfolk Audit Services Annual Report for 2019-20

6.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work carried out to support the County Council's vision and strategy.

6.2 The Chairman thanked officers for the comprehensive report, the audit team for their achievements and the External Auditors EY for their work throughout the year. The Chairman welcomed the 'Acceptable' opinion for the overall adequacy and effectiveness of the County Council's Framework of Risk Management, Governance and Control for 2019/20.

6.3 The Committee liked the inclusion of the pie charts in the report, but questioned the reasons for how 60% of the audits appeared to be over budget. The Assistant Director of Finance (Audit) responded that when the budgets were set, the amount of time each audit would take was estimated. The Audit Team was working hard to develop their work in terms of the amount of time each audit took, although there were a number of things which could have an impact on those timescales, for example the amount of staff supervision time and the support given to apprentices could differ for each audit.

6.5 The Assistant Director of Finance (Audit) would include information in the next report about any traded school audits within the +/-5% range of the agreed cash budget as this aspect was not currently tracked.

6.6 The Committee considered the report and **RESOLVED** to **agree**:

- Our opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and control for 2019-20 is 'acceptable'.

- The audit service provided by Norfolk Audit Services continues to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) and complies with the Accounts and Audit Regulations 2015.
- The Annual Governance Statement (AGS) for 2019-20 will refer to the report and will be reported to Audit Committee in October 2020 for its approval.
- The impact of the covid-19 outbreak for ongoing ways of working, internal controls, risks and governance are being continually monitored and managed and assurance will be provided to the Committee through regular report.

7 Risk Management Annual Report 2019-20

7.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with information on risk management for the financial year 2019-20, incorporating the main changes that had occurred within the year. The report was separate to the report detailing risk management for the first quarter for 2020-21.

7.2 The Committee considered the report and **RESOLVED** to agree the following key messages from the Annual Risk Management Report 2019-20:

- The overall opinion on the effectiveness of Risk Management for 2019/20 was ‘Acceptable’ and therefore considered ‘Sound’ (part 3 of the report)
- The Risk Management Function complied with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards.
- The Annual Governance Statement for 2019/20 would refer to this report.
- The corporate risks were refreshed in July 2019 and represent the most significant risks to the Council for the financial year 2019/20.
- The Risk Management Policy and accompanying procedures have been refreshed to incorporate the change to the Cabinet model.
- That whilst the implications of COVID-19 became apparent late in the financial year 2019/20, it is considered largely outside of the scope of this annual report, except for section 7, which looks ahead to the financial year 2020/21. The risk implications of, and risk response to, COVID-19 will be reported in more detail separately.

8 Norfolk Pension Fund Governance Arrangements 2019-20.

8.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Director of the Norfolk Pension Fund outlining the ongoing governance arrangements of the Norfolk Pension Fund.

8.2 The Head of Funding & Investment, Norfolk Pension Fund, introduced the report, highlighting the Membership of the Scheme; the contributors to the scheme and the recent investment market fluctuations following the covid-19 pandemic, which was now nearly back to pre-covid-19 levels.

8.3 The Chairman thanked the Pensions Team and highlighted that the investment market fluctuations which had returned reasonably quickly was a remarkable result.

8.4 As the Chairman of the Pensions Committee, Cllr Judy Oliver advised that the Norfolk Pension Fund was in good health and that it was worth noting it was very lucky in having a good relationship with its Pensions Oversight Board.

8.5 The Committee considered the report and **RESOLVED** to:

- Agree the report which detailed Norfolk Pension Fund's governance arrangements being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

9 Governance, Control and Risk Management of Treasury Management.

9.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with assurance as to the adequacy and effectiveness of the arrangements for Treasury Management.

9.2 In introducing the report, the Corporate Accounting Manager drew attention to the Treasury Management Panel, the forum which controlled Treasury Management and of which the Chairman, Cllr Mackie, was a Member. The Panel met three times per year.

9.3 The following points were noted in response to questions from the Committee:

9.3.1 The Treasury Management Panel was mindful of the risks around increased borrowing interest rates, although current predictions indicated that no large increases in the next three years were anticipated.

9.3.2 The outcome of the PWLB consultation may affect Norfolk County Council borrowing rates, although once the details were known, consideration needed to be given to how the government would allow PWLB loan funding to be used.

9.4 The Committee considered the report and **RESOLVED** to:

- **Agree** the report provided assurance as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

10 External Auditor's Audit Plans 2019-20 – Norfolk County Council and Norfolk Pension Fund.

10.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Provisional Audit Plans for the year ending 31 March 2020 for Norfolk County Council and Norfolk Pension Fund.

10.2 The Chairman welcomed David Riglar from External Auditors EY to the meeting who introduced the Norfolk County Council Audit Plans.

10.3 The following points were noted in response to questions from the committee:

10.3.1 Because of the covid-19 pandemic all publishing of accounts deadlines had been moved back to the end of November 2020. The Committee was reassured that work was on track for the auditing of the Norfolk County Council accounts.

10.3.2 The vast majority of local authorities had been appointed the same Auditors for both their accounts and pension fund accounts by the PSAA who allocated the Auditors. There were 2 opinions, one for the Norfolk County Council accounts and one for the Norfolk Pension Fund accounts, therefore it was usual practice to have the same auditor for both sets of accounts.

10.3.3 When the lock-down had commenced, over 10,000 EY staff had started virtual working arrangements and had continued with their audit work. A client portal had been introduced which allowed council staff to upload files and documents which had negated any problems with receiving any necessary documentation. Regular virtual meetings were held to ensure all parties were kept up to date.

10.4 Mr Riglar, from External Auditors (EY) introduced the External Auditor's Audit Plans for the Norfolk Pension Fund. The Committee was asked to note that the report contained an error in the Fees which should read £20,866. This amount was set by PSAA.

10.5 The Committee considered the report and **RESOLVED** to **agree**:

- The External Auditor's Audit Plan for the Council for 2019-20 and the Norfolk Pension Fund Audit Plan for 2019-20, including their assessment of the Audit Risks and Value for Money Risks and the reporting timetable;
- That the 2019-20 scale of fees for the Council was £98,361 and Norfolk Pension Fund is £20,866;
- That the Executive Director of Finance & Commercial Services may negotiate the fee required to perform an ISA compliant audit for the Council, which may be in excess of the present scale fee; and
- Whether there are any other matters which the Committee considers may influence their work.

11 Senior Information Risk Officer (SIRO) Annual Report 2019-20

11.1 The Committee received the report by the Executive Director of Strategy & Governance providing an annual assurance statement to confirm that there are adequate systems and processes in place around Information Governance, although areas for improvement had been identified and activity was underway to strengthen the Information Governance agenda further.

11.2 The Director of Governance & Monitoring Officer introduced the report and highlighted that the Annual Statement provided assurance which confirmed that adequate systems and processes were in place around Information Governance.

An external review had been carried by SOCITM Ltd, following a competitive procurement, and one of the key messages from that review had been the creation of the post of Head of Information Governance. The post had now been filled and the Director of Governance & Monitoring Officer introduced Nigel Gollop who had recently joined the Council as Head of Information Governance.

11.3 The following points were noted in response to questions from the Committee:

11.3.1 One of the key aspects of monitoring any recurrences of data breaches was that no more breaches occurred. The Committee was assured that processes were in place to monitor data breaches and ensure the right controls were in place.

11.3.2 A suggestion was made that the Head of Information Governance could act as a liaison point for departments to provide additional support and "sense checks" which may help to prevent emails being sent to the wrong recipient. In reply, the Head of Information Governance advised that he worked with all departments to ensure they were aware of the impact of any mistakes and that staff understood their responsibilities.

11.4 The Committee considered the SIRO's annual statement on Information Governance and **RESOLVED** to **agree**:

- There are appropriate actions to strengthen any potential weaknesses.
- The SIRO role, described in the Council's Data Quality Policy, had been adequately discharged.

12 Risk Management

12.1 The Committee received the report by the Executive Director of Finance & Commercial Services referencing the corporate risk register as it stood in July 2020, following the latest review conducted during June 2020.

12.2 The Risk Management Officer introduced the report, which was a quarterly report looking at generic corporate risks and drew attention to the new risks relating to covid-19 as set out in Appendix D of the report, adding that the general risks prior to covid-19 were set out in Appendix C of the report.

The Risk Management Officer also drew attention to the closure of RM016 (Failure to adequately prepare for and respond to a major disruption to Norfolk County council Services). This risk had been replaced with risk SR016 on the strategic corporate covid-19 risk register which recognised the risk of concurrent major disruptions and the capacity of the council to manage a second wave of disruption.

12.3 The following points were noted in response to questions from the Committee:

12.3.1 The Corporate Risks Heatmap at appendix B of the report, showed that there had been no changes in movement of risks during the reporting period.

12.3.2 Members drew attention to the following risks and questioned how the scores had not changed and how they had all predicted significant reductions in scores by the target date.

- Risk RM004 (Potential risk of failure to deliver effective and robust contract management for commissioned services).

- Risk RM006 (Potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21)
- Risk RM022 (Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff (Brexit)).
- Risk RM023 (Failure to respond to changes to demography, funding and government policy, with particular regard to Adult Social Services).

The Committee was advised that the risks were regularly updated by the risk owners and reviewers. The Risk Management Officer would contact the risk owners and reviewers to ask them to provide more detailed information in the narrative together with justification for the risk scores for the next report.

12.4 The Committee considered the report and **RESOLVED** to:

- **Note** the key messages as set out in section 2.1 of the report.
- **Note** the key changes to the generic corporate risk register (Appendix A).
- **Note** the corporate risk heat maps (Appendix B)
- **Note** the latest generic corporate risks (Appendix C)
- **Agree** the newly introduced covid-19 strategic corporate risk register (Appendix D).
- **Note** Scrutiny options for managing corporate risks (Appendix E)
- **Note** Background information (Appendix F).

13 Norfolk Audit Services Terms of Reference (Charter) and Code of Ethics 2020/21.

13.1 The Committee received the report by the Executive Director of Finance & Commercial Services presenting the revised Terms of Reference for Norfolk Audit Services (Charter) and the Code of Ethics following review, in accordance with model of the Chartered Institute of Internal Auditors (CIIA).

13.2 In introducing the report, the Assistant Director of Finance (Audit) highlighted that the Terms of Reference were set out in Local Authority Audit Standards and no changes were required at the present time. Therefore the report was to help the Committee understand how the team worked and the standards it applied.

Regarding the Code of Ethics, the Assistant Director of Finance (Audit) clarified that this was the standard the Audit Team worked to, for example any member of the Audit Team would declare and record any interests, eg any links they had with schools, to ensure all the audits were appropriately managed and staff were not auditing schools they had any affiliation with.

13.3 The Committee considered the report and **RESOLVED** to:

- **Agree** the NAS Terms of Reference (Charter) as set out in Appendix A of the report and the Code of Ethics as set out in Appendix B of the report.

14 Counter Fraud, Bribery and Corruption Annual Report (including whistleblowing).

14.1 The Committee received the report by the Executive Director of Strategy & Governance providing an annual report in respect of the counter fraud activity undertaken by Norfolk Audit Services during the year, together with a copy of the recently updated Fighting Fraud and Corruption Locally national strategy.

14.2 The Chairman drew the Committee's attention to the "Fighting Fraud and Corruption Locally" document, set out at Appendix B of the report and thanked the Investigative Auditor for his participation in this national piece of work to fight fraud.

14.3 The following points were noted in response to questions from the Committee:

14.3.1 As fraud was a hidden crime, it was impossible to know exactly how many cases of fraud took place. Norfolk County Council focused on fighting fraud locally and worked proactively to encourage fraud prevention. Over the last three years, more buy-in from departments had been seen and prevention now played a big part in fighting fraud. It was noted that Local Authorities that managed housing benefits and council tax had more cases of fraud than the Local Authorities that didn't.

14.3.2 The Committee was reassured that if fraud was identified investigations would take place.

14.3.3 The Assistant Director of Finance (Audit) advised that the responsibility for the prevention of fraud rested with line managers who were required to ensure they had the necessary controls in place and to work with their teams in encouraging them to alert their manager to any potential risks.

14.3.4 Although not many cases of fraud had been identified, all cases of fraud which were investigated sent out a positive message to managers that the system worked. The Committee was also advised that where cases of fraud had been proven the funds were recovered.

14.3.5 The Investigative Auditor confirmed he had seen the MHCLG report into procurement fraud in Local Authorities and an audit on pre-contract procurement had been undertaken, the details of which were contained in the strategy. The Investigate Auditor would contact the Procurement Team to make sure the necessary controls were in place, for instance ensuring valuation panels consisted of more than one person, etc.

14.5 The Committee considered the report and **RESOLVED** to **agree**:

- That the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing annual report (Appendix A), the key messages, that the progress is satisfactory and arrangements are effective.

15 Monitoring Officer's Annual Report 2019-20.

15.1 The Committee received the report by the Director of Governance summarising the internal governance work carried out by the Monitoring Officer and Deputy

Monitoring Officer in 2019-20 and providing assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer was adequate and effective.

15.2 The Chairman highlighted the good news that there had been no reportable incidents during the period 2019/20; the systems of internal control administered were adequate and effective during 2019/20 and that there was one finding of a breach of the Council's Code of Conduct by the standards Committee in October 2019. The Chairman thanked the Director of Governance and Monitoring Officer for her work.

15.3 The Committee considered the report and **RESOLVED** to **agree**:

- The content of the report and in particular the key messages in the Executive Summary and Appendix A, section 2.1 of the report.

16 Work Programme

16.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme.

16.2 In response to a question about the accounts being presented to the Audit Committee in October 2020 when they did not need to be published until November 2020, the Assistant Director of Finance (Audit) clarified that the regulations had changed as a result of Covid-19 and the absolute date for publication of accounts was now 30 November 2020. As the October Audit Committee meeting was already arranged and the External Auditors had confirmed they were able to achieve the October meeting report deadlines, the Committee would be able to consider the accounts at the October meeting.

16.3 The Committee considered and **noted** the report.

The meeting ended at 3.50 pm

Chairman

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Audit Committee

Item No 5

Report title	**Annual Statement of Accounts and Annual Governance Statement 2019-20**
Date of meeting	**15 October 2020**
Responsible Cabinet Member	**Councillor Andrew Jamieson (Cabinet Member for Finance)**
Responsible Director	**Simon George (Executive Director of Finance and Commercial Services)**

Introduction

This report presents the Council's Annual Statement of Accounts and Annual Governance Statement 2019-20.

Executive Summary

The following appendices are attached:

- Appendix 1: a narrative summary of the accounts and Annual Governance Statement.
  - Annex 1: Annual Governance Statement for 2019-20
  - Annex 2: 2019-20 Statement of Accounts

Once approved, and prior to the statutory deadline of 30 November 2020, it is anticipated that the Council's external auditors, Ernst and Young, will be in a position to complete their audit and the Council will publish its accounts.

Recommendations

Audit Committee is asked to:

1. agree that, following annual reviews, the systems of internal control and internal audit are considered adequate and effective;
2. consider and approve the Annual Governance Statement;
3. note the non-material audit differences set out in paragraph 6 below, with further detail in paragraph 6.6 of the Annex to this report.
4. consider and approve the Council's 2019-20 Statement of Accounts on the basis that they may be subject to non-material amendments and clarifications resulting from further audit work prior to certification by the Executive Director of Finance and Commercial Services after consultation with the Chairman and Vice-Chairman of Audit Committee.

1 Background and Purpose

1.1 This report and associated annexes present the Council's Annual Governance Statement and Annual Statement of Accounts 2019-20.

2 Proposals

Approval of the Annual Governance Statement and Statement of Accounts by the Audit Committee is required before the external audit can be completed and the accounts published.

3 Impact of the Proposal

Once approved, it is anticipated that the Council’s external auditors, Ernst and Young, will be in a position to complete their audit and the Council will publish its accounts.

4 Evidence and Reasons for Decision

The attached report (Appendix 1) contains:

- A narrative summary of the financial statements which have been subject to external audit by Ernst & Young; and
- An introduction to the proposed Annual Governance Statement 2019-20, which provides assurance that the organisation's governance framework, including the system of internal control and internal audit, is adequate and effective for the purpose of the relevant regulations.

The Executive Director of Finance and Commercial Services anticipates that the Council will receive an unqualified audit opinion.

5 Alternative Options

In order to meet the Council’s statutory accounts publication deadline, no viable alternative options have been identified to the recommendations in this report.

6 Financial Implications

The Statement of Accounts is presented in the format required for statutory external reporting requirements.

The attached report summarises changes to the Accounts as a result of the implementation of revised financial reporting requirements, and summarises any material changes which have been made during the audit period. There are two unadjusted audit differences:

- The Council has taken the decision to depart from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. The information required to reverse the impact of IFRS16 in the 2020/21 accounts will not be available from Norse and as the newly recognised assets in the balance sheet are less than 0.7% it is felt the non-adjustment will not materially impact the users understanding of the accounts. From 1 April 2021 the Council’s accounts and group accounts will converge as both will be subject to IFRS16.

- Within the Pension Fund Accounts, investment assets were understated by £13.722m. The valuation of private equity held by HarbourVest

Partners and Aberdeen Standard Investments was estimated at £222.058m with the actual year end valuation (received in July 2020) being £235.780m. This was not adjusted for in the accounts as it was not deemed to have a material overall impact. This decision was discussed and accepted by the Pensions Committee on 1 October 2020.

The final position for all departments as reported to Cabinet on 8 June 2020 was a net underspend of £0.083m. This has not changed as a result of the preparation of the Statement of Accounts. The underspend has been transferred to general balances and is reflected in the financial statements.

The Council's overall reported Net Assets are negative at -£8.6m (compared to £0.3bn at 31 March 2019). Any net liability in the Council's balance sheet is due primarily to net pension liabilities and does not affect the general fund underspend.

Total long-term liabilities shown on the face of the balance sheet have decreased by £0.24bn, largely explained by a reversal of most of the increase of £0.3bn pension net liabilities which was accounted for in 2018-19, based on valuation assumptions at that time.

7 Resource Implications

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

8 Other Implications

8.1 Legal Implications:

In order to fulfil obligations placed on chief finance officers by regulations 6 and 10 of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, the Executive Director of Finance and Commercial Services must prepare an annual governance statement, and publish an approved statement of accounts by 30 November 2020, or if later as soon as reasonably practicable after the receipt of the auditor's report.

8.2 Equality Impact Assessment

In setting the 2019-20 budget, the Council consulted widely. Impact assessments were carried out in advance of setting the budget, with details published in the "Budget proposals 2019-2020 Overall Summary: Equality & rural impact assessment report".

There are no additional equality and diversity implications arising out of this report.

9 Risk Implications/Assessment

The risk of not approving the AGS and the Statement of Accounts is that the Executive Director of Finance and Commercial Services will not be able to fulfil his obligations under the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).

10 Recommendation

Recommendations are set out in the introduction to this report.

Officer Contact

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

Name	Telephone	Email address
Simon George	01603 222400	simon.george@norfolk.gov.uk
Harvey Bullen	01603 223330	harvey.bullen@norfolk.gov.uk
Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

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Appendix 1

Narrative Summary of Annual Statement of Accounts and Annual Governance Statement 2019-20

1. Introduction

1.1 As part of the formal process of closing the County Council's 2019-20 accounts, Members are required to consider and approve the Annual Governance Statement attached as Annex 1, and to approve the Statement of Accounts ("the accounts"), Annex 2 (to follow), prior to publication. This process of approval is included within the Committee's terms of reference.

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

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

2. Background

2.1 The Local Government England and Wales Accounts and Audit Regulations 2015 issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Council's Statement of Accounts.

2.2 The Executive Director of Finance and Commercial Services is satisfied that the Statement of Accounts has been prepared in accordance with both the current Code of Practice on Local Authority Accounting in Great Britain ("the Code") and the Service Reporting Code of Practice for Local Authorities ("SeRCOP") supported by International Financial Reporting Standards ("IFRS") and other statutory guidance. The Statement of Accounts is required to present a true and fair view of the County Council's financial position at 31 March 2020 and also the income and expenditure for the financial year.

2.3 The Executive Director of Finance and Commercial Services reported the final revenue and capital expenditure positions for 2019-20 and the provisions and reserves held at 31 March 2020 to Cabinet on 8 June 2020.

2.4 The net underspend of £0.083m reported to Cabinet on 8 June 2020 has been transferred to General Balances. Details of movements on this balance are shown in paragraph 5.8 below.

2.5 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) temporarily moved the deadline for publishing draft accounts from 31 May to

31 August by amending the latest date for commencing the public inspection period.

A public inspection period of 30 working days commencing 13 July was publicised on the Norfolk County Council website well within regulations. No questions directly referring to the notice of inspection were received. However, during the inspection period two following freedom of information requests referring to the draft accounts were received:

- One question asked for a list of items making up each category of asset referred to in note 18 Property, Plant and Equipment and
- A second question asked whether the accounts contained a section for "losses and special payments".

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) has temporarily moved the deadline for publishing final accounts from 31 July to 30 November 2020. Officers believe this deadline will be met.

2.6 The draft 2019-20 Statement of Accounts dated 10 July, together with the draft AGS, have been publicly available on the Council's website since 13 July and throughout the public inspection period.

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

2.8 A small number of significant amendments have been made as a result of checks performed during the audit period, and as a result of new information received. These are listed in paragraph 6.3. None of these adjustments are material in their own right, and the net impact has been to reduce the balance sheet net liability from £19m to £8.6m.

2.9 The Council has taken the decision to depart from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. The information required to reverse the impact of IFRS16 in the 2020/21 accounts will not be available from Norse and as the newly recognised assets in the balance sheet are less than 0.7% it is felt the non-adjustment will not materially impact the users understanding of the accounts. From 1 April 2021 the Council's accounts and group accounts will converge as both will be subject to IFRS16.

Within the Pension Fund Accounts, certain investment assets were understated by £13.722m. This was not adjusted for in the accounts as it was not deemed to have a material overall impact. This decision was discussed and accepted by the Pensions Committee on 1 October 2020.

The impact of and reasons for these decisions are set out in more detail in paragraph 6.6 to this Annex.

2.10 Any further audit amendments to these accounts between the date they are added to this agenda and the meeting will be notified to members of the Audit Committee at the meeting.

3. Annual Governance Statement

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

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

3.3 The Executive Director of Finance and Commercial Services reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. His report to 30 July 2020 Audit Committee stated that the Chief Internal Auditor reports that the system of internal control, including the arrangements for the management of risk during 2019-20, was acceptable and therefore considered sound.

3.4 The Accounts and Audit Regulations require the preparation of an Annual Governance Statement, signed by the Leader and the Head of Paid Service. Guidance for the preparation, review and reporting of the Annual Governance Statement has been issued by CIPFA /SoLACE and has been used in its preparation.

3.5 The draft Annual Governance Statement ("AGS") has been published along with the draft Statement of Accounts on the Council's website. The final AGS will be published alongside the audited Statement of Accounts.

3.6 The AGS explains how the Council has complied with the Code of Corporate Governance throughout the 2019-20 financial year, and up to the date the accounts are published including the impact on Covid-19 on the objectives and activities of the Council.

Within the detailed examples given in the report it also confirms that areas where controls need to be developed or improved and how these are being actioned.

4. Changes to the Presentation of the Accounts

4.1 The Council continues to prepare its Statement of Accounts under International Financial Reporting Standards as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

4.2 In accordance with the CIPFA Code, note 1 “Expenditure and Funding Analysis” analyses amounts charged to the general fund for each of the Council’s Directorates. The required format does not give a specific reconciliation to the net cost of services and the reported underspend. This reconciliation is as follows:

		£m
Net transfers from earmarked reserves –	opening	75.355
(note 17)	closing	(89.402)
Movement in reserves		**(14.047)**
Underspend reported to Cabinet 8 June 2020		(0.083)
Net (Surplus)/Deficit (note 1, Expenditure and Funding Analysis)		**(14.130)**

4.3 There have been no significant changes to accounting standards since 2018-19 which have had an impact on the presentation of information in the statement of accounts.

4.4 To improve the readability of the accounts in 2018-19, the notes to the accounts were grouped to reflect the core statements, and a table of contents with hyperlinks added. For 2019-20, readability has been further improved with the accounting policies and related notes moved to the back of the accounts. This has reduced the distance between the core statements and their supporting notes.

5. Statement of Accounts – Content

5.1 The accounts are set out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

5.2 The Statement of Accounts includes the Movement in Reserves Statement (“MIRS”), the Comprehensive Income and Expenditure Statement (“CIES”), a Balance Sheet and Cash Flow Statement.
In addition to the Norfolk County Council single entity accounts, the Statement of Accounts includes a summary of the Fire fighters’ pension scheme, Norfolk County Council’s Group Accounts, and the Norfolk Pension Fund Accounts.

The Group Accounts incorporate the financial results, where material, of companies controlled by the Council including the Norse Group and Independence Matters CIC.

Explanatory Foreword

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

Statement of Responsibilities

5.4 This statement sets out the respective responsibilities of the Council and the Executive Director of Finance and Commercial Services in relation to the production of the final accounts.

Independent Auditors' Report

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

Movement in Reserves Statement

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

5.7 As well as any surplus or deficit on the provision of services, the statement includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

5.8 Movements on the General Fund Balance are as follows:

	£m
Actual General Balances at 1 April 2019	**19.623**
Net underspend 2019-20	0.083
General Balances at 31 March 2020	**19.706**

At County Council on 17 February 2020, the Executive Director of Finance and Commercial Services presented a Statement on the Adequacy of Provisions and Reserves 2020-21 to 2023-24. This recommended that general balances should be £19.623m through 2019-20. As a result of the net underspend in 2019-20, general balances at 1 April 2020 exceed the recommended amount.

Comprehensive Income and Expenditure Statement

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

5.10 Balance Sheet

The Balance Sheet statement sets out the financial position of the Council at 31 March 2020. The statement shows the balances and reserves at the Council's disposal, its long-term borrowing, and the fixed assets and net current assets employed. The principal movements on the balance sheet are described below.

5.11 The net book value of Property Plant and Equipment (note 18) is broadly in line with 2018-19. Derecognitions in land and building are due mainly to schools converting to academy status and more than offset by expenditure on highways and other infrastructure.

5.12 The value of investment properties (note 20), which are those held to generate an income, such as the Council's share of the Airport Industrial Estate, has increased by £1.1m due mainly to an increase in the fair value measurement of the properties.

5.13 Long term investments have increased by £4m since last year, due to additional loans made to wholly owned companies and local developers. The total of Cash and Cash Equivalents (note 23), has increased by £4m due to an increase in cash investments held in money market funds. Short term investments have increased by £50m and therefore overall cash balances have increased as additional PWLB debt has been taken on to pay for capital expenditure and to take advantage of historically low interest rates.

5.14 The levels of short-term debtors (note 22) have decreased by £21m, explained due mostly to a £29m decrease in prepayments and a £9m increase in trade debtors. Pre-payments were unusually high at 31 March 2019 due to a pre-payment to the pension fund being carried forward at that date. The levels of long-term debtors have seen a small increase but remain broadly in line with 2018-19.

5.15 Amounts classed as Asset Held for Sale (note 24) have increased significantly since 2018-19. Property valued at just under £4.2m was sold during the year, replaced with properties valued at £7.9m actively awaiting sale at the end of the year, in accordance with the Council's approach of both generating capital receipts and reducing property maintenance costs.

5.16 Total long-term liabilities shown on the face of the balance sheet have decreased by £0.24bn, largely reversing an increase of £0.3bn in 2018-19. While PWLB borrowing has increased by £80m, pension net liabilities have reduced by £0.300m.

The Council's net pension liabilities (Local Government Pension Scheme and Fire-Fighters Pension Scheme) have reduced from to £1.4bn to £1.1bn (note 33, net liability arising from defined benefit obligation). The Council's net Pension Liability is one of the largest individual figures in the accounts. Over the past few years the liability has been volatile, with annual increases and decreases regularly exceeding £200m.

The IAS19 reporting standard requires the Fund Actuary to set the Discount Rate (the rate used to value liabilities) by reference to market bond yields. All things being equal, as the discount rate fall, the value attributable to liabilities will increase. As shown in the table below, the assumed rate for discounting scheme liabilities has seen a small reduction, although assumed rates for increases in salaries and pensions have also decreased.

Period ended	31 March 2019 % p.a.	31 March 2020 % p.a.
Salary increase rate	2.8%	2.6%
Pension increase rate	2.5%	1.9%
Discount rate	2.4%	2.3%

The IAS19 report used for statutory accounting purposes is prepared using a different set of assumptions to the Funding calculation used in the Triennial Valuation to determine employer contribution rates, and to which a stabilisation mechanism is applied to smooth volatility in the discount rate over the funding period. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The Council's overall reported Net Assets are negative at -£8.6m (compared to £0.3bn at 31 March 2019). This net asset/liability figure to a large extent depends on two unrelated valuations, one being the valuation of local authority property and infrastructure assets, most of which cannot be sold or exchanged for value, with the other being net pension liabilities.

The overall reported net assets/liabilities figure has no direct impact on the Council's general fund.

5.17 Cash Flow Statement

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes. The statement shows any increases or decreases in cash and cash equivalents as noted in paragraph 5.13 above.

5.18 Notes to the Core Financial Statements

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

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

5.20 The “Adjustments between accounting basis and funding basis under legislation” (note 16) reconciles the total comprehensive income and expenditure recognised in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

5.21 The adjustments in note 16 are applied to the Movement in Reserves Statement. The Statement of Accounts General Fund Balance of £109.108m is the sum of £19.706m General Balances figure reported on 8 June 2020 to Cabinet, plus the earmarked reserves of £89.402m listed in note 17.

Contingent liabilities

5.22 The note explaining Great Yarmouth Port Company Pension Guarantee, which relates to employees who transferred to Great Yarmouth Port Authority in 2007, has been updated to reflect a significant improvement in the scheme net indemnity, and the extent to which the value of collateral property exceeds the total indemnity.

5.23 In the previous accounts, a contingent liability was noted relating to claims for mandatory business rates relief from local NHS Trusts claiming charitable status. In December 2019 the Courts ruled that the Trusts were not eligible. In February 2020, 11 of the 17 original NHA claimants (none in Norfolk) applied for permission to appeal but at the time of writing the Court has not replied and this note has been removed.

Events after the Reporting Period

5.24 As with last year’s accounts, this note includes a short narrative relating to schools transferring to Academy Status, and the on-going negotiations between the UK and the EU. Two related issues are also covered:

5.25 **Covid 19 Pandemic:** The World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020 and on 23 March 2020, the Prime Minister announced a “lockdown”. As the condition existed at 31 March 2020, this is potentially an adjusting event. This has been addressed with professional advisors particularly in terms of Property Plant and Equipment valuations, and Pension liability valuations at the balance sheet date. The property valuers have stated that valuations at 31 March are subject to ‘material valuation uncertainty’ as advised by their professional body RICS. However, this has not resulted in any material changes to valuations.

5.26 Going concern: the Corona virus restrictions across the UK have created significant issues for many businesses and residents. As a result from April 2020, Council income was affected detrimentally as some paid-for services were not able to operate. On the other hand, the government has provided direct financial support for lost income and for the additional costs borne by authorities and the net impact is reported regularly to Cabinet. A note describing briefly the impact and uncertainties of Covid-19 is included in the statement of accounts.

5.27 Since the draft accounts published on 13 July 2020 adjustments have been made to the single entity accounts, and these are shown in section 6 below.

Fire Fighters' Pension Fund

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

Group Accounts

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

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

5.31 Since the draft accounts published on 13 July 2020 adjustments have been made to the group accounts, and these are shown in section 6 below as well as one non-material adjustment in respect of IFRS 16 (right of use assets/leases) which has not been adjusted for reasons set out in paragraph 6.6.

Pension Fund Accounts

5.32 The detailed Pension Fund Accounts which are incorporated into this Statement of Accounts have been considered by the 1 October 2020 Pensions Committee which:

3. Received and considered the draft 2019-20 Annual Report and Accounts of the Norfolk Pension Fund, attached at Appendix A.
4. considered the Ernst and Young (EY) ISA 260 Report.
5. endorsed the letter of representation.

At the meeting the Chair of the Pension Committee and Executive Director of Finance and Commercial Services signed the letter of representation on behalf of the Pension Fund. This letter and subsequent amendments are addressed in a separate report to this Committee.

While additional narrative has been added to the Pension Fund accounts to acknowledge the extent of estimation and uncertainty as a result of the Covid-19 pandemic, no material changes have been made to the figures in the pension fund accounts since the July draft.

6. Accounting adjustments, corrections and changes since the 13 July draft

6.1 Since the publication of the draft accounts on 13 July, and during the audit, officers and Ernst & Young have identified a number of adjustments to correct non-material errors or to enhance disclosures within the financial statements and associated notes.

6.2 With the agreement of the auditors, adjustments and corrections have been made where appropriate, and a number of disclosures added or enhanced, for example where information was not available until after the publication of the May draft accounts.

Material/significant adjustments to the core statements since the 13 July draft accounts

6.3 **Over-estimate of capital creditors as at 31 March 2020**
The draft accounts included an over-estimation of £8.002m of creditors relating to three large capital projects. The accruals were based on figures prepared towards the end of March when the impacts of Covid-19 in terms of project delivery were only becoming apparent and "lockdown" resulted in unusual pressures on officers which resulted in estimates which were found later to be larger than they should have been. A subsequent review of these accruals identified the errors.

One school moved from AUC category to Land & Buildings
Roydon School was wrongfully categorised as an asset under construction and was subsequently found to be completed for statement of accounts purposes. This has resulted in a transfer of £5.890m between headings, but no overall change to balance sheet totals.

IAS19 pension valuations
A late change was made to the 2018-19 accounts following a Court of Appeal judgement relating to age discrimination arising from public sector pension scheme transition arrangements ("McCloud"), and the position shown in the 2019-20 draft accounts was based on the actuarial information available in July. The impact of the judgement on the LGPS and Fire Pension Scheme liabilities arising from the case has been re-assessed, with a reduction in net liabilities reflected in the revised accounts.

Business rates
Adjustment for information not available from Norfolk districts when the July draft was published.

Impact on the general fund and usable reserves.
The changes above have, when combined, had a significant impact on the statutory accounts, but have no impact on the Council's general fund or usable reserves.

Other adjustments and error corrections

6.4 An adjustment has been made relating to Business Rates information received from Norfolk districts after the July draft was published.

As a result of audit questions and internal work, a number of other minor corrections have been made to address errors and inconsistencies, and to improve presentation of the single entity, pensions and group accounts.

All adjustments requested by the auditors have been made to the Single Entity accounts, and no further changes are anticipated. One adjustment has not been made to the group accounts (see below).

Overall impact of adjustments since the July draft

6.5 The net liabilities of the Council in the July draft were £19.295m, as shown in both the Balance Sheet and the Movement in Reserves Statement. Following the changes listed in 6.3 above, net liabilities have been adjusted to £8.582m. Two audit differences have not been adjusted, and these are explained in the paragraph below.

Adjustments not made

6.6 **IFRS adjustment Group Accounts**

Under previous rules, lessees accounted 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.

On 1 April 2019, Norse Group Ltd adopted IFRS 16, in accordance with recognised accounting standards required for larger companies. This has resulted in £10.350m of operating lease liabilities being reclassified as finance leases from that date, increasing the value of both lease liabilities and Property Plant and Equipment in the Group balance sheet. These leases are reflected in the group accounts at 31 March 2020 as finance liabilities of £12.116m, matched by an increased value of fixed assets.

To put this value in context, the net book value of Property, Plant and Equipment in the group balance sheet is £1,768m. The value of newly recognised assets in the balance sheet is less than 0.7% of the total value of PPE.

CIPFA/LASAAC originally deferred implementation of IFRS16 for local authorities from 1 April 2019 to 1 April 2020, and more recently at its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation to the 2021-22 financial year, with an effective date of 1 April 2021. The first published balance sheet which will be affected will be dated 31 March 2022.

In order to apply the CIPFA Code to the Group accounts, the impact of the adoption of IFRS 16 by the Norse Group would have to be reversed out of the group accounts, reducing both assets and liabilities by £12.116m. This has not been done for the following reasons:

- the adjustment is not material to the group accounts;

- although it would be possible to reverse the entries as at 31 March 2020 using data held by Norse, the equivalent accounting entries will not available from Norse as part of their accounts production work as at March 2021;
- any additional work will compromise the Council's ability to produce auditable draft accounts in advance of the 31 May 2021 deadline;
- in 2021-22 the Council's accounts and group accounts will converge as both will fully be subject to IFRS 16.

Materiality can relate to factors other than monetary value, but due to the nature of the adjustment and the relevant information in the accounts, it is highly unlikely that a user of the accounts would be affected by this decision.

Pension Fund Accounts investment asset valuations
Within the Pension Fund Accounts, investment assets were understated by £13.722m. The valuation of private equity held by HarbourVest Partners and Aberdeen Standard Investments was estimated at £222.058m with the actual year end valuation (received in July 2020) being £235.780m. This was not adjusted for in the accounts as it was not deemed to have a material overall impact. This decision was discussed and accepted by the Pensions Committee on 1 October 2020.

Temporary changes to deadlines for 2020-21

6.7 Since 2017-18, 'faster closing' has had a significant impact on the speed at which the draft and final accounts have had to be prepared.

In a letter from MHCLG to local authority chief executives summarising the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020, it was confirmed that the publication date for final, audited, accounts would move from 31 July to 30 November 2020.

The requirement for the public inspection period to include the first 10 working days of June was replaced with the requirement that the inspection period had to commence or before the first working day of September 2020. The meant that the latest date for publication of draft accounts moved from 31 May to 31 August 2020. The Council's public inspection period started on 13 July, well within the revised timeframe.

7. Developments in local authority accounting

7.1 IFRS 16 leases

As stated above, CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. At this time, the right of use assets and corresponding lease liabilities in the single entity accounts are expected to be approximately £14m based on current operating lease disclosures.

7.2 Redmond review

Sir Tony Redmond, a former council treasurer and local government ombudsman, was asked in 2019 to look at the into the Oversight of Local

Audit and the Transparency of Local Authority Financial Reporting, by the then Communities Secretary. His final report was issued on 8 September 2020. Key recommendations included:

External audit regulation

1. the creation of a new body to manage, oversee and regulate local authority audits
2. at least one independent member on Audit Committees
3. a revised audit fee structure to ensure that adequate resources are deployed
4. deadline for the publication of final accounts to be moved from 31 July to 30 September
5. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified

Transparency of Financial Reporting

6. An audited standardised statement of service information and costs
7. CIPFA/LASAAC be required to review the statutory accounts, to determine whether there is scope for simplification

Lengthening the audit period from 2 months to 4 months after the draft is published on 31 May could result in a greater number of changes to draft accounts as more evidence becomes available. Otherwise, given that international accounting standards form the basis of the CIPFA/LASAAC code, few changes are anticipated in the foreseeable future which will have a significant impact on the production or content of the statement of accounts.

Norfolk County Council

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Narrative Report

a) About Norfolk County Council

Norfolk County Council is a shire county covering the whole of Norfolk. The county covers a large area of around 550,000 hectares and is home to approximately 900,000 residents. Norfolk has several diverse economies, found within rural, urban and coastal environments. The county council, seven district/borough councils and many town and parish councils deliver local government services in Norfolk.

Norfolk County Council has 84 elected members each standing for 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.

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 several 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.

b) Councils Performance 2019-20

The Council expresses its vision as follows: "We care about Norfolk and its people, and are ambitious for them. We want to help make Norfolk to be the best it can, where people can live productive, independent lives, safely and in good health, for as long as they can.

The Council will play a leading role in ensuring that Norfolk has a growing economy, thriving people and strong communities."

This section gives examples of progress against these three key themes.

<u>**Growing our economy**</u>

Sustainable housing

Repton Property Developments Limited, a company set up by Norfolk County Council, is working with external partners in the development of several sites across Norfolk, which will see over 400 new homes. The first of the sites to get full planning permission is St Edmund's Park in Acle.

Skills for now and for the future

The "Invest East" programme has been rolled out with dedicated staff co-located with the Local Enterprise Partnership at the NRP. 56 companies have ben assisted for the calendar year 2019 against a target of 53, and 27 companies reported an employment increase (target 20).

Hethel Innovation Limited, a company wholly owned by the Council has implemented a successful Breakthrough project which supported delivery of 30 new jobs in its first year of support. The same project supported 22 new business start-ups.

We continue the vital work to promote careers in Norfolk particularly in the emerging sector growth areas as well as opportunities at all levels and for all people who want to work.

With the implementation of a new Information, Advice and Guidance Strategy, the Council has created a branded 'Let's have a conversation' guidance approach, which helps the service to get to know our learners better.

Adult Learning currently supports employers of various sizes across Norfolk from micro-organisations through to large national organisations such as the NHS. Currently we have approximately 170 apprentices on programme primarily in the business and education sectors, plus a further 22, Norfolk Fire and Rescue Service's (NFRS) Operational Fire Fighter Apprentices.

Good connectivity

In the past year, the Council has secured £2m investment from the Department for Rural Affairs (DEFRA), to enable Full Fibre connections to around 400 Norfolk rural businesses which meet the criteria. Implementation will take place as part of the forthcoming third Better Broadband for Norfolk rollout, with the DEFRA element expected to complete in 2021.

When the first Better Broadband for Norfolk rollout began in summer 2013, the lowest level of coverage was in the North Norfolk District Council area at 11%, with South Norfolk not far ahead on 14%. Norwich had 95% coverage at that time, and the figure across Norfolk was 42%. We have now met our target to deliver 95% broadband coverage by the end March 2020.

Strong infrastructure

A Refresh of the Local Transport Plan is being undertaken. Consultation took place during January and February 2020. Carbon reduction is key policy driver following the Council's adoption of its Environmental Policies in November 2019.

<u>Thriving People</u>

Education for every ambition

Improving educational outcomes for all children

The quality of education in Norfolk as judged by Ofsted, is now in line with national averages. At the end of January 2020, 85% of primary schools were judged Good by Ofsted, just under the national average. 77% of Norfolk's secondary schools were judged Good, which is above the national average. All but one of our complex needs schools are judged to be good, and 50% are outstanding, well above the national average of 38%.

Outcomes for Norfolk's learners are continuing to improve and are in line with national averages in early years (age 5) and at secondary (age 16). However, outcomes at primary (age 11) remain below national averages and we continue to work with schools so that more pupils reach the expected standards and effectively intervene in local authority maintained schools where outcomes, inclusivity or safety do not meet our expectations.

Our support for schools to be more inclusive is proving successful. The number of pupils permanently excluded in Autumn 2019 was the lowest recorded in this period over the past three years.

The transformation of support for schools to meet additional needs at SEN support is also making good progress. We are currently on track with our plans to open two of the three new special schools in 2021: a school for Social Emotional & Mental Health Difficulties in Great Yarmouth and a school for Autism in Fakenham. At the same time, we are expanding Norfolk's current Good and Outstanding special schools where they have space to add further classrooms

Post 16 provision

Over the past three years we have seen an increase in the percentage of 16 and 17 year olds who are in education, employment or training, and an increase in the percentage of students studying A Level and equivalent vocational qualifications.

Early help

Keeping families together

Although the rate of children in care in Norfolk is still higher than the average for comparator authorities it has now been reducing steadily and significantly every period for the last 12 months. There were 125 fewer children in care in January 2020 than there were in January 2019.

Early years

The Norfolk Early Childhood Community Fund handed out grants of up to £2,500 to projects that will support children aged 0-5 to achieve their development milestones and ensure children and their parents or carers aren't lonely or isolated.

Opportunities for employment

On 1 June 2019, we launched a new Skills & Employment Team (SET). So far, seven new employers have signed up to Disability Confident Scheme and a portfolio of over 60 volunteering opportunities have been established.

On 1 July 2019, the Norfolk Employment Service (NES) was launched, introducing the role of Norfolk Employment Co-ordinators (NEC) to work alongside Adult Social Care teams in supporting Working Age Adults (WAA) with disabilities and / or mental health needs. The Norfolk Employment Coordinators provide one-to-one support to anyone who has been identified as 'work ready'. Referrals to the new service started being taken in August 2019. Currently, NES is supporting 95 working age adults. A further 26 people have been supported into voluntary / work experience.

Finally, on 7 January 2020, we launched our new Preparing for Adult Life Service. To date, the team has worked with 94 young people.

Independent lives

Living Well: Homes for Norfolk

Under this programme, we have committed to investing around £29m to support and develop extra care housing in Norfolk. Since the launch of the ambitious 10-year programme, we are delighted that a 66-apartment Meadow Walk in Fakenham is on site and set to open in January 2021.

To support promotion of the schemes, a new website www.norfolk.gov.uk/independentliving is live and the team is working with communications and change and engagement teams to ensure both staff and the public are as positive as we are about the benefits of independent living.

Early help and prevention

Norfolk First Support is an Adult Social Services in-house service that provides free intensive assessment and reablement to people who have been in hospital and need support when returning home. Over the past year, the service has received over 9,000 referrals. About 90% of the people who received reablement services were still at home 3 months later, and 80% did not need any ongoing long-term service.

The Norfolk Swift Response is a 24-hour, 365 day a year service which provides help, support and reassurance if a person has an urgent, unplanned need at home but doesn't need the emergency services. Over the past year, approximately 12,000 referrals were accepted and referred on to the appropriate agency.

Assistive Technology

Approximately 10,200 people are currently receiving assistive technology in Norfolk provided by Norfolk County Council. We have developed and strengthened our working partnership with the University of East Anglia to improve training on assistive technology and to work in participate in research projects. In January 2020 we worked with the Alzheimer's Society to better understand people's needs for technology, test and review equipment and provide feedback to manufacturers.

In 2019/20, Adult Social Services invested additional money in Assistive Technology, and approximately 600 additional assessments have been carried out in 2019-20.

Supporting Norfolk's carers

On 10 June 2019, Norfolk County Council held a special event to celebrate and support the thousands of unpaid carers across Norfolk. The event highlighted the challenges unpaid carers face and recognised the contribution they make to families and communities across Norfolk. As a major employer, the Council has worked to become a model of good practice. We have a dedicated resource on our HR site called 'Support for Carers' and continue to engage staff and managers with information and advice to create awareness of unpaid carers and equip them to have thoughtful and high-quality conversations with their employees.

Strong communities

Socially active, connected people

Transport

Norfolk County Council has published details of its proposals in a substantial funding bid to central government which, if successful, has the potential to transform travel in Greater Norwich. The Transport for Norwich partnership is seeking an overall investment in the region of £100m through the Department for Transport's (DfT) Transforming Cities Fund (TCF), which aims to make it easier for people to access jobs, training and retail, and responds to issues around carbon reduction and improving local air quality, with a strong focus on increasing use of public transport, walking and cycling.

Joined-up services to meet needs

Norfolk Directory

The Norfolk Community Directory is an online directory that can be used to find a range of local clubs, events, groups and organisations. Over the past year, Norfolk County Council has been working with partners to improve the Directory and make it easier for people to find information.

Safe and resilient communities

Keeping all people safe

Over a number of years, Norfolk County Council has worked with the Norfolk Constabulary, district councils and a range of partners to prevent hate incidents or crime. So far, 275 Council and public agency staff have been trained to report hate incidents.

Trading Standards

Our trading standards team has continued to work with the Norfolk Against Scams Partnerships (NASP) to enable organisations to protect people and businesses from scams, doorstep crime and fraud, as well as help those who are defrauded. We have worked with communities to promote No Cold Calling Zones, and now have 248 zones covering over 11,250 homes in Norfolk. Over the past year, we have handled over 800 requests for business advice and support, and dealt with over 2,100 consumer complaints. We successfully concluded six prosecutions in relation to building work, fraudulent trading, animal welfare and the supply of illicit tobacco, as well as nine prosecutions on behalf of Highways for the misuse of blue badges. As a result of targeted inspections at importers of consumer goods, over 67,600 unsafe or illegal products, valued at £0.383m were removed from the market.

Quality cultural and heritage facilities

Norfolk Museums

Norfolk Museums Service continues to deliver a high-quality temporary exhibitions programme working with national partners to bring artworks and artefacts of national and international importance to the County. Among the most prominent exhibitions were Vikings: Rediscover the Legend, in partnership with the British Museum and York Museums Trust, Coming Home: Horatio by Sir William Beechey, on loan from the National Portrait Gallery, and Castles: Reality, History and Myth, from the National Gallery. The past year also saw one of the most spectacular acquisitions of the Museums Service in recent years, Walton Bridges by JMW Turner, a magnificent and significant early work by one of Britain's most famous artists.

Since June 2019 great progress has been made on the Service's flagship project, Norwich Castle: Royal Palace Reborn and over 300 objects have been decanted from the Castle Keep in preparation.

Norfolk Arts

The NCC Arts Grants budget continues to support 17 key arts organisations which contribute to the delivery of Together, for Norfolk priorities and outcomes. In 2019-20, our organisations delivered 6,331 inclusive cultural events, benefiting 873,307 residents and visitors of all ages throughout the county.

Norfolk currently has 6 Arts Council England 'National Portfolio Organisations', a designation awarded to reflect their national cultural leadership role and status. This includes Norfolk and Norwich Festival, Curious Directive, Norwich Arts Centre, National Centre for Writing, Seachange Arts and Creative Arts East.

Protected environment

In autumn 2019 Norfolk County Council launched a revised Environmental Policy that takes its direction from the Dept of Environment, Food & Rural Affairs' 25-year Environment Plan. Within this are robust climate change targets that look to address the Council's own carbon footprint and aim to set the County on a path to carbon neutrality by 2030.

A Pollinator Action Plan has been produced which will ensure that we manage our assets and operations in such a way that they are more pollinator friendly and that the needs of pollinators are taken account of in relevant strategies and polices. It impacts on the way we manage the County Farm estate and aims to inspire others to do more for pollinators across Norfolk.

2020 has seen the beginning of work to develop a Tree and Resilience Strategy, which will help provide strategic support to the Members' committed approach to the planting of 'a million trees.' Initial work has focussed on mapping, to provide focus for the work and some planting has begun during the 19/20 winter planting season on the County Council's farms estate.

c) Financial Performance 2019-20

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2019-20 was £409.293m, equal to the Council's share of Council Tax receivable during the year. The net budget remained unchanged throughout 2019-20.

The final outturn position for the year against the revised budget is set out in the table below. At the end of the year the net underspend of £0.083m was transferred into the General Fund.

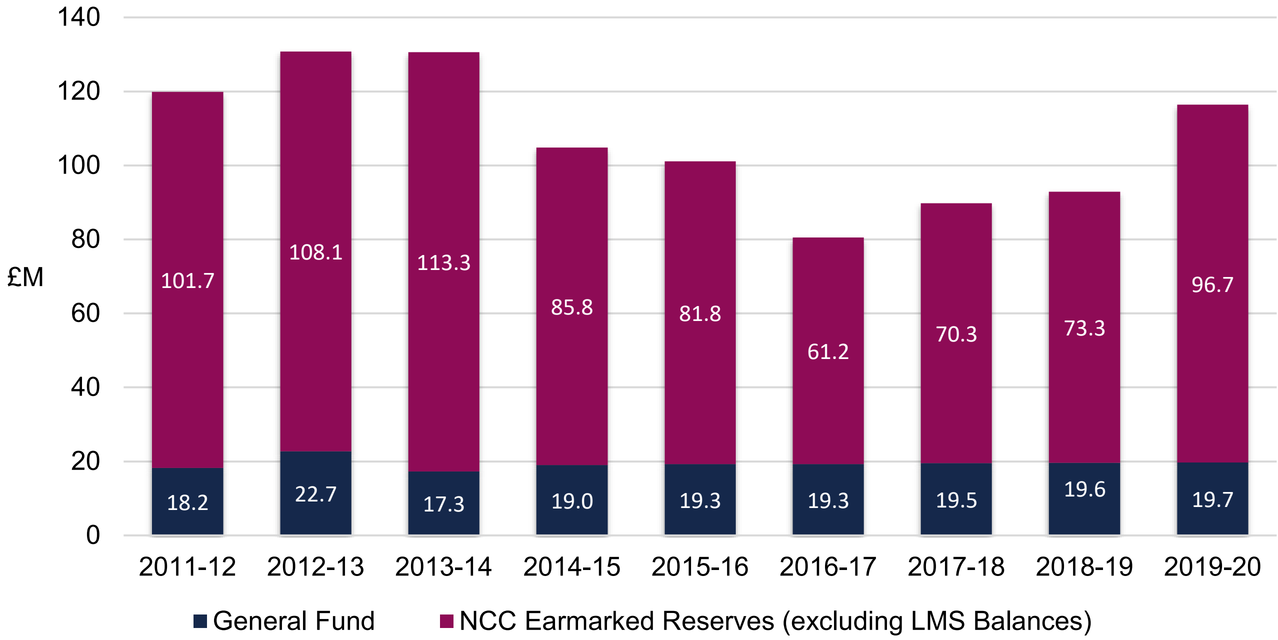
These results are based on the service responsibilities as reported to Cabinet, rather than the total cost of delivering services, (including apportionment of support services and adjustments to show the full cost of offering pensions to employees), which is used in the Comprehensive Income and Expenditure Statement.

Service	Revised Budget	Net (under)/ over spend	
	£m	£m	%
Adult Social Services	247.606	0.990	0.4%
Children's Services	211.667	12.972	6.2%
Community and Environmental Services	160.712	(0.591)	(0.3)%
Strategy and Governance	8.657	(0.022)	(0.3)%
Finance and Commercial Services	26.395	(0.177)	(0.4)%
Finance General	(245.745)	(13.255)	4.9%
Totals	**409.293**	**(0.083)**	**0.0%**
Transfer to General Fund		0.083	

Within the net underspend are significant financial pressures identified in Children's Services and Adult Social Services, balanced by underspends in other areas, primarily Finance General and Community and Environmental Services. The Children's Services net overspend has been due mainly to high and increasing levels and complexity of need across placement and support budgets, including children looked after, young people leaving care and children at risk of harm, and transport costs for home to school transport. Within Adult Social Services, there have been pressures on Purchase of Care budgets, mainly related to Older People and Mental Health services.

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. Excluded from the graph below are LMS balances as these belong to individual schools.



Reserves increased during 2019-20, continuing a medium-term trend despite challenging budgets in recent years. The increase in earmarked reserves is mainly due to government grants received in March 2020 placed into a business risk reserve in order to mitigate the impact of additional spending required as a result of the COVID-19 pandemic.

General fund

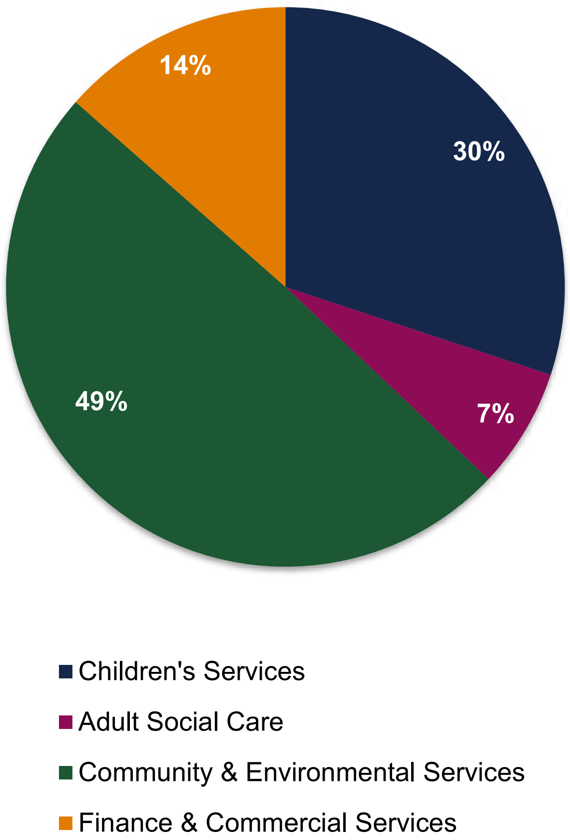
The net outturn underspend for 2019-20 transferred into the General Fund. During 2019-20 movements on the General Fund balance were as follows.

	£m
General Fund Reserve at 31 March 2019	19.623
Net underspend 2019-20	0.083
General Fund Reserve at 31 March 2020	**19.706**

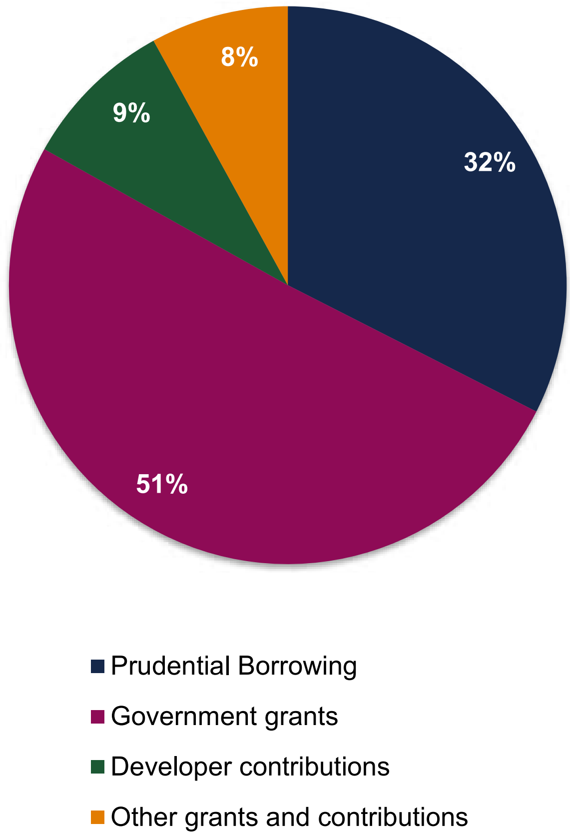
Capital Budget and Spending

Capital expenditure, including £2m flexible use of capital receipts, totalled £177.6m in 2019-20: this was a significant increase compared to the £158.5m spent in 2018-19 as a result of good progress on major highways schemes as well as on-going schemes including schools' improvements and Better Broadband for Norfolk.

Capital Expenditure



Capital Funding



The County Council approved a capital budget in February 2019, with £307.858m for to 2019-20 and £240.734m allocated to later years. Re-profiling from 2018-19 and subsequent funding announcements were added to the programme. After adjusting for items re-profiled into 2020-21, plus further accounting adjustments, the final 2019-20 programme budget and expenditure was £177.6m. The main external sources of finance were government grants (£89.9m), contributions from developers (£15.8m), contributions from other local authorities (£5.8m) and the Local Enterprise Partnership (£6.4m). Projects nominally funded by prudential borrowing totalled £57.7m, while actual borrowing during the year to fund previous capital temporarily funded by internal borrowing totalled £87.1m.

The Council achieved capital receipts from sales of property totalling £4.8m plus £1.8m from the repayment of loans and dividends treated as capital receipts and a further £1.8m relating to the sale of shares in Norwich International Airport. Capital receipts in 2019-20 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 2019-20 included:

- **Schools**: Several larger schools' projects completed during 2019-20, including:

Project	Completion	Value
New Sprowston White House Farm Primary	Sept 2019	£6.9m
Downham Market Hillcrest Primary expansion	Sept 2019	£3.9m
Costessey Primary amalgamation	Aug 2019	£3.5m
Roydon Primary expansion	Nov 2019	£5.7m

- **Other**: significant one-off projects underway in 2019-20 include the Great Yarmouth Third River Crossing, a Human Resources and Finance systems replacement project. Major on-going works included the programme improvements to the school estate, Better Broadband for Norfolk, and highways capital maintenance.

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 2020, the Council's external borrowing totalled £706m, including £87.1m borrowed in 2019-20 to support prior capital expenditure temporarily funded by internal borrowing. 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 over £1.6bn.

Loan principal amounting to £6.4m is due to be repaid within one year. The Council's treasury management strategy anticipates borrowing of £80m in 2020-21.

Future capital programme

To replace and develop its assets and infrastructure, the Council needs to support a significant capital programme. The major on-going capital schemes are for improving the County's school's estate and transport infrastructure, including major developing projects relating to the Great Yarmouth Third River Crossing and ambitious plans to enhance SEND and Alternative Provision education facilities.

Grants and contributions from third parties, primarily central government, funds most of the capital expenditure. Other schemes such as office refurbishments, ICT projects and the replacement of a waste recycling centre will rely on a significant amount of prudential borrowing.

2020-23 Capital Programme by Service	£m	2020-23 Capital Programme Funding	£m
Adult Social Services	41.0	Prudential borrowing	419.9
Children's Services	216.4	Government grants	188.9
Community & Environmental Services	267.5	Developer contributions	24.9
Finance & Commercial Services	120.6	National lottery	9.6
Strategy and Governance	0.5	Other	2.7
Total	**646.0**	**Total**	**646.0**

Pensions Deficit

The accounts reflect the underlying commitment that the Council must pay future retirement benefits for its employees, as needed by IAS 19. As a result, the Council's Balance Sheet includes the estimated pension liability, measured on an actuarial basis, effectively reducing the Net Assets of the Council by £1.1bn.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31 March 2020, with the value of assets and liabilities changing daily. There is a neutral impact on the Council's Comprehensive Income and Expenditure Statement reported for the year as use of the pensions reserve reverses the effect of IAS 19.

Provisions

At the end of the financial year, the Council's provisions stood at £30.8m, including self-funded insurance provisions and provisions in respect of potential appeals on Business Rates administered by the District Councils. Provisions for bad debts totalling £4.6m are set off against receivables in the statement of accounts. Of the provisions, £12.6m are not cash backed as they relate to an asset backed landfill provision.

d) Outlook for the future

The County Council's 2020-21 Budget was agreed in February 2020, prior to the significant escalation in the severity of the coronavirus COVID-19 pandemic. The impact of this outbreak in Norfolk has had far-reaching consequences, and accordingly the County Council mounted an unprecedented response, which has tested both the wider organisation and its capacity to deliver critical services. Responding to the challenge of coronavirus has required a rapid and radical adjustment in both organisational priorities and ways of working. However, the Council's robust 2020-21 Budget, and our well-established financial processes and arrangements, have provided a secure foundation on which this response has been built.

Inevitably, the 2020-21 Budget agreed in February could not foresee the adjustments which would be needed to respond to the coronavirus pandemic and as a result, any changes in budget assumptions has been reflected in the regular financial monitoring during the year and will also be taken into account as part of the 2021-22 Budget planning activity. Nationally, the Government has provided significant additional funding to Local Authorities to support them in responding to coronavirus, in the expectation that Councils will play a key role in maintaining critical social care and other frontline services, assisting education and early years providers to provide care and education for key workers and vulnerable children, supporting businesses and individuals suffering hardship, and maximising the available capacity in the health service by enabling increased levels of discharge from hospital.

Looking beyond the impacts of coronavirus, the overall level of uncertainty means that the financial environment for local government remains extremely challenging for the foreseeable future. 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. Children's services, in both social care and education (particularly the High Needs Block), are also under very significant stress. Other services such as transport, planning, environment, and trading standards have been subject to significant restrictions which have also seen increasing pressure placed on discretionary and preventative services. The 2020-21 Budget was therefore developed to embed the approach from previous years and, in spite of the pressures and funding reductions we face, sees the Council making further very significant investment in the revenue budgets for critical services across both Adults and Children's social care. Non-social care services are also receiving growth in 2020-21, with the result that the 2020-21 Budget represents a sustained and significant investment in maintaining and strengthening the council's key services.

Similarly, the Council's Capital Programme 2020-23 includes essential investment in both the provision of vital infrastructure and measures aimed at tackling the threat of climate change, including:

- Living Well - Homes for Norfolk: to develop extra care housing in Norfolk;
- SEND transformation programme to create 500 extra specialist school places;
- Great Yarmouth Third River Crossing;
- Norwich Western Link; and
- Funding for environmental policy projects.

Although it included the requirement for challenging savings to be delivered across the organisation, fundamentally the 2020-21 Budget set in February 2020 was a robust one, based on sound finances and prudent planning. As a result, the Council is well positioned to respond to the major challenge represented by coronavirus, although this unprecedented situation will inevitably have a significant impact on the Council's Budget in both 2020-21 and future years. The implications of this, coupled with continued uncertainty about a range of significant planned reforms for local government that now appear likely to be further substantially delayed, represent a major challenge for the Council in developing its Medium Term Financial Strategy. The level of budget gap to be closed in future years is subject to substantial uncertainty and there are a number of issues which could have a material impact on the level of resources available to Norfolk County Council to deliver services in the future. Perhaps now more than ever before, the coronavirus pandemic has demonstrated the vital importance of setting a balanced and sustainable budget to enable the Council to continue to deliver the critical services which are so important for all Norfolk's people and businesses. In these uniquely challenging times, it is for this reason that work is already underway to build on the foundations established by the 2020-21 Budget, and to develop the detailed financial plans for future years which will enable us to secure the Council's financial position and the provision of essential services into 2021-22 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 2020. They include core and supplementary statements, together with disclosure notes. These financial statements for 2019-20 are set out following the **CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019-20**, which is based on International Financial Reporting Standards (IFRSs).

A Glossary of key financial terms is at the end of this document.

The Core Statements are:

- The **Comprehensive Income & Expenditure Statement** shows the accounting cost in the year of delivering services following generally accepted accounting practices, rather than the amount funded from taxation. Councils raise taxation to cover expenditure following regulations; this may be different from the accounting cost. The Movement in Reserves Statement and in the Expenditure and Funding Analysis shows the taxation position.

- 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 used to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves break down between gains and losses incurred following generally accepted accounting practices and the statutory adjustments needed 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) match the reserves held by the Council. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to deliver services, subject to the need to keep a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only fund capital expenditure or repay debt). The second category of reserves includes those that the Council is not able to use to deliver 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 taxation and grant income or from service recipients fund the operations of the Council. Investing activities are the extent to which cash outflows have bought resources 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 annual expenditure and funding from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities following generally accepted accounting practices. It also shows the distribution of this expenditure between the Council's services for decision making purposes. The Comprehensive Income and Expenditure Statement presents more fully the income and expenditure accounted for under generally accepted accounting practices.

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 2020 of the Council and any companies or other organisations, which the Council either controls or significantly influences. The Council reviews its interests in companies and other organisations annually to decide which to include in the Group Accounts for 2019-20.

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

- With recent turnover at over £300m, Norse Group is itself a large group supplying 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 £19m.

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

- 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 Statement of Accounts for the County Council includes the main financial statements of the pension fund. Consequently, the Statements of Assurance cover both the County Council and the Pension Fund. Details of the Norfolk Pension Fund accounting statements are on pages 129 to 195. 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

As advertised on our website, interested members of the public have a statutory right to inspect the accounts before the audit is complete. The authority follows the Freedom of Information Act 2005 requirements in responding to queries from the public.

Further information relating to this report can be found in the financial statements which follow and in Norfolk County Council's Budget Book 2020-24 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;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to 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 2020 and its income and expenditure for the year ended 31 March 2020.

Simon George
Executive Director of Finance and Commercial Services
Date: 15 October 2020

Independent Auditors' Report to the Members of Norfolk County Council

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

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Comprehensive Income and Expenditure Statement

2018-19 Gross Expenditure £000s	2018-19 Gross Income £000s	2018-19 Net Expenditure £000s		2019-20 Gross Expenditure £000s	2019-20 Gross Income £000s	2019-20 Net Expenditure £000s
			Continuing Services:			
432,106	134,012	298,094	Adult Social Services	459,885	137,282	322,603
573,270	348,903	224,367	Children's Services	589,475	322,724	266,751
280,010	105,318	174,692	Community and Environmental Services	278,678	102,818	175,860
16,409	5,302	11,107	Strategy and Governance Services	16,920	5,589	11,331
55,513	20,299	35,214	Finance and Commercial Services	61,582	19,176	42,406
18,063	12,827	5,236	Finance General	26,914	8,703	18,211
16,003	0	16,003	Non-Distributed Costs	(21,148)	0	(21,148)
1,391,374	**626,661**	**764,713**	**Cost of Services**	**1,412,306**	**596,292**	**816,014**
		64,847	Other Operating Expenditure (Note 6)			35,877
		59,146	Financing and Investment Income and Expenditure (Note 7)			62,908
		(765,954)	Taxation and Non-Specific Grant Income (Note 8)			(817,230)
		122,752	**(Surplus) / Deficit on Provision of Services**			**97,569**
		(22,287)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(25,024)
		166,795	Re-measurements of the net defined benefit liability			(381,556)
		144,508	**Other Comprehensive Income and Expenditure**			**(406,580)**
		267,260	**Total Comprehensive Income and Expenditure**			**(309,011)**

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 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 16)	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)**
Movement in Reserves during 2019-20						
Total Comprehensive Expenditure and Income	(97,569)	0	0	(97,569)	406,580	**309,011**
Adjustments between accounting basis & funding basis under regulations (Note 16)	111,699	934	(524)	112,109	(112,109)	**0**
Increase / (Decrease) in Year	**14,130**	**934**	**(524)**	**14,540**	**294,471**	**309,011**
Balance at 31 March 2020	**109,108**	**1,347**	**82,905**	**193,360**	**(201,942)**	**(8,582)**

* Note that the General Fund forms the Council's General balances together with earmarked reserves. Details of movements in these reserves are shown in Note 27 on page 59.

Balance Sheet

31 March 2019			31 March 2020
£000s		Note	£000s
1,633,055	Property, Plant & Equipment	18	1,657,672
7,169	Heritage Assets	19	13,294
21,192	Investment Property	20	22,100
2,559	Intangible Assets		1,787
14,403	Long Term Investments	21	18,435
72,353	Long Term Debtors	22	73,642
1,750,731	**Long Term Assets**		**1,786 930**
34,683	Short Term Investments	21	85,103
544	Inventories		233
169,421	Short Term Debtors	22	147,809
67,878	Cash and Cash Equivalents	23	72,034
593	Assets Held for Sale	24	4,300
273,119	**Current Assets**		**309,479**
(13,689)	Short Term Borrowing	21	(13,802)
(1,602)	Other Short-Term Liabilities	21	(1,912)
(161,974)	Short Term Creditors	25	(160,411)
(6,737)	Provisions	26	(8,656)
(184,002)	**Current Liabilities**		**(184,781)**
(19,262)	Provisions	26	(22,534)
(620,751)	Long Term Borrowing	21	(701,418)
(1,477,373)	Other Long-Term Liabilities	21	(1,167,980)
(40,055)	Capital Grants Receipts in Advance	9	(28,278)
(2,157,441)	**Long Term Liabilities**		**(1,920,210)**
(317,593)	**Net Assets**		**(8,582)**
178,820	Usable Reserves	27	193,360
(496,413)	Unusable Reserves	28	(201,942)
(317,593)	**Total Reserves**		**(8,582)**

Cash Flow Statement

31 March 2019		31 March 2020
£000s		**£000s**
122,752	**Net (surplus) or deficit on the provision of services**	**97,569**
(171,538)	Adjust net (surplus) or deficit on the provision of services for non-cash movements	(213,205)
81,301	Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	122,868
32,515	Net cash flows from Operating Activities (Note 38)	7,232
2,216	Investing Activities (Note 39)	67,239
(88,218)	Financing Activities (Note 40)	(78,627)
(53,487)	**Net (increase) or decrease in cash and cash equivalents**	**(4,156)**
14,391	Cash and cash equivalents at the start of the year	67,878
67,878	Cash and cash equivalents at the end of the year (Note 23)	72,034

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Supporting the Comprehensive Income and Expenditure Statement

1. Expenditure and Funding Analysis

	2019-20		
	Net Expenditure chargeable to the General Fund £000s	**Adjustments between the Funding and Accounting Basis £000s**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000s**
Adult Social Services	250,677	71,926	322,603
Children's Services	190,727	76,024	266,751
Community and Environmental Services	113,793	62,067	175,860
Strategy and Governance Services	8,474	2,857	11,331
Finance and Commercial Services	25,066	17,340	42,406
Finance General	(31,830)	50,041	18,211
Non-Distributed Costs	0	(21,148)	(21,148)
Net Cost of Services	**556,907**	**259,107**	**816,014**
Other Income and Expenditure	(571,037)	(147,408)	(718,445)
(Surplus) or Deficit	**(14,130)**	**111,699**	**97,569**
Opening General Fund Balance at 31 March*	94,978		
Plus surplus on General Fund	14,130		
Closing General Fund Balance at 31 March*	**109,108**		

	2018-19		
	Net Expenditure chargeable to the General Fund £000s	**Adjustments between the Funding and Accounting Basis £000s**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £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**		

* The General Fund Balance in the tables above represent the Council's General Balances together with total earmarked reserves as detailed in Note 17 on page 43.

2. Note to the Expenditure and Funding Analysis

	2019-20			
	Adjustments for Capital Purposes	**Net change for the pensions adjustments**	**Other Differences**	**Total Adjustments**
	£000s	**£000s**	**£000s**	**£000s**
Adult Social Services	2,622	20,435	48,869	71,926
Children's Services	39,165	24,663	12,196	76,024
Community and Environmental Services	48,772	8,347	4,948	62,067
Strategy and Governance Services	0	2,206	651	2,857
Finance and Commercial Services	12,957	4,381	2	17,340
Finance General	(733)	(304)	51,078	50,041
Non-Distributed Costs	0	(21,148)	0	(21,148)
Net Cost of Services	**102,783**	**38,580**	**117,744**	**259,107**
Other Income and Expenditure from the Expenditure and Funding Analysis	(69,813)	35,496	(113,091)	(147,408)
Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services	**32,970**	**74,076**	**4,653**	**111,699**

	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**

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, i.e. 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 received 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 is 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 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 non-ringfenced and therefore moved to this section from services.

3. Segmental Income

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

2018-19		2019-20
£000s		**£000s**
73,753	Adult Social Services	78,015
45,776	Children's Services	28,730
23,995	Community and Environmental Services	23,047
3,782	Strategy and Governance Services	692
8,576	Finance and Commercial Services	8,481
390	Finance General	3,771
156,272	**Total income analysed on a segmental basis**	**142,736**

4. Expenditure and Income analysed by Nature

The Council's expenditure and income analysed by type:

2018-19		2019-20
£000s		**£000s**
462,682	Employee benefits expenses	471,522
868,493	Other Services expenses	878,260
55,028	Support Service recharges	60,776
70,277	Depreciation, amortisation, impairment	70,733
63,228	Interest payments	68,859
1,392	Precepts and levies	1,488
63,456	Gain/loss on disposal of assets	34,389
1,584,556	**Total Expenditure**	**1,586,027**
	Fees, charges and other service income	
(156,272)	Income from Service Recipients	(142,736)
(107,342)	Income from other sources	(102,950)
(2,221)	Interest and investment income	(3,581)
(536,770)	Income from council tax and business rates	(598,402)
(659,199)	Government Grants and contributions	(640,789)
(1,461,804)	**Total Income**	**(1,488,458)**
122,752	**Surplus or Deficit on the Provision of Services**	**97,569**

5. Material Item of Income and Expense

During 2019-20, 11 schools transferred to Academy, Voluntary Aided and Foundation status. The Council's balance sheet no longer includes the assets relating to these schools. The value written off amounts to £35.536m and the net loss on disposal of these assets is the main reason for the total shown in note 6 to the accounts.

6. Other Operating Expenditure

The Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement includes:

2018-19		2019-20
£000s		**£000s**
848	Environment Agency precept	879
543	Eastern Sea Fisheries precept	609
63,456	(Gains)/losses on disposal of non-current assets	34,389
64,847	**Total**	**35,877**

7. Financing and Investment Income and Expenditure

The Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement includes:

2018-19		2019-20
£000s		**£000s**
30,626	Interest payable and similar charges	34,016
32,540	Net interest cost on the net defined benefit liability	34,843
(2,221)	Interest receivable and similar income	(3,581)
(31)	Income and expenditure in relation to investment properties and / or changes in their fair value (Note 20)	(1,180)
(1,350)	Dividend Income	(1,280)
(418)	(Gains)/Losses on trading accounts not included in the cost of services	90
59,146	**Total**	**62,908**

8. Taxation and Non-Specific Grant Income

The Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement includes:

2018-19		2019-20
£000s		**£000s**
387,683	Council tax income	407,350
149,087	Non-domestic rates	191,052
129,771	Non-ring-fenced government grants	113,710
99,413	Capital grants, contributions and donated assets	105,118
765,954	**Total**	**817,230**

9. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019-20. The table shows details of grants credited to Services where the balance is more than £1m in 2019-20.

Credited to Taxation and non-Specific Grant Income:

2018-19		2019-20
£000s		**£000s**
121,717	Ministry of Housing, Communities and Local Government	105,667
5,648	Department for Education	5,704
1,202	Department of Health and Social Care	1,210
1,204	Home Office	1,129
129,771	**Total General Government Grants**	**113,710**

2018-19		2019-20
£000s		**£000s**
58,486	Department for Transport	43,237
17,819	Department for Education	31,437
15,640	Developer Contributions	17,796
2,961	New Anglia Local Enterprise Partnership	6,402
4,499	Other Local Authorities	2,953
0	Heritage Lottery Fund	2,602
8	Grants and Contributions less than £1m	691
99,413	**Total Capital Grants and Contributions**	**105,118**

Credited to Services:

2018-19		2019-20
£000s		£000s
	Adult Social Services:	
44,381	NHS Clinical Commissioning Groups	45,052
	Children's Services:	
308,051	Department for Education	296,347
905	Home Office	2,705
2,383	Ministry of Housing, Communities and Local Government	1,523
1,074	Arts Council /Federation of Music Services	1,086
660	Other Local Authorities	1,039
1,216	NHS Primary Care Trusts/Clinical Commissioning Groups	1,031
1,679	Grants & Contributions raised directly by schools	700
	Community and Environmental Services:	
39,062	Department of Health and Social Care (Public Health)	38,031
797	Other Local Authorities	6,083
4,305	Department for Education	4,623
1,092	EU Funding	2,009
1,817	Arts Council	1,767
0	Home Office	1,629
1,106	NHS England (Public Health)	1,464
1,307	Developer Contributions	1,404
1,318	Department for Transport	1,061
990	Heritage Lottery Fund	1,046
3,633	Department for Digital, Culture, Media & Sport	14
7,347	Grants and Contributions less than £1m	8,543
423,123	**Total Grants and Contributions recognised in Net Cost of Services**	**417,157**

The Council has received several grants, contributions and donations that have conditions attached to them that will demand the return of monies or property to the giver. The grants show as liabilities on the balance sheet until the conditions are satisfied, and the grant recognised as income. The balances at the year-end are as follows:

Included in Current Liabilities:

2018-19		2019-20
£000s		£000s
10	Ministry of Housing, Communities and Local Government	10,046
985	Department for Education	1,097
0	Ministry of Justice	61
52	NHS Clinical Commissioning Groups	52
560	Department for Work and Pensions	6
276	Home Office	6
36	Other Revenue Grants & Contributions	74
1,919	**Total Conditional Revenue Grants & Contributions**	**11,342**

Included in Long Term Liabilities:

2018-19		2019-20
£000s		**£000s**
31,337	Developer Contributions	22,856
3,809	Other Local Authorities	2,548
2,040	New Anglia Local Enterprise Partnership	2,217
446	Department for Transport	575
55	Contributions from Diocese	24
2,313	Department for Education	8
55	Other smaller Capital Grants & Contributions	50
40,055	**Total Capital Grants Receipts in Advance**	**28,278**

10. Agency Services

The County Council administers money on behalf of the Clinical Commissioning Groups under Section 28 agreements. For 2019-20 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £10.361m (£10.949m in 2018-19).

11. Joint Arrangements

- **Children and Adolescent Mental Health Service (CAMHS)**

From 1 April 2016, Norfolk County Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to deliver targeted mental health support to children and young people with mild to moderate mental health needs. It also provides a therapeutic solution for children aged 5-14 whose problems have not been resolved through standard Tier 3 CAMHS services.

2018-19		2019-20
£000s		**£000s**
(4,455)	Gross Income	(4,231)
4,085	Expenditure	4,786
(370)	**(Surplus)/Deficit**	**555**
2,224	Council's Contribution	2,366

- **Speech and Language Therapy Service (SaLT)**

From 18 September 2015, Norfolk County Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to provide a local and integrated approach to commissioning Educational and Community Clinical Paediatric Speech and Language Services in Norfolk for 0 to 19 year olds, plus a specialist neonatal provision in Norfolk.

2018-19		2019-20
£000s		**£000s**
(1,721)	Gross Income	(2,253)
1,700	Expenditure	2,253
(21)	**(Surplus)/Deficit**	**0**
946	Council's Contribution	1,262

- **Better Care Fund (BCF)**

Norfolk's Better Care Fund 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 acts 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 Council's controlled share of the pool, 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 Norfolk Health and Wellbeing Board is accountable, overall, for the Norfolk BCF.

The table below reflects funding and spend across all the partners in 2019-20:

2019-20	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
CCGs	(3,507)	(5,199)	(6,469)	(5,434)	(5,852)		(26,461)
Norfolk County Council	(3,595)	(6,027)	(6,802)	(8,070)	(6,138)		(30,632)
Capital Grants						(8,071)	(8,071)
iBCF Grant Income (Note A)	(5,272)	(7,791)	(7,033)	(7,068)	(7,109)		(34,273)
Winter Funding Grant Income	(728)	(873)	(819)	(802)	(957)		(4,179)
Total Income	**(13,102)**	**(19,890)**	**(21,123)**	**(21,374)**	**(20,056)**	**(8,071)**	**(103,616)**
CCGs	3,507	5,199	6,469	5,434	5,852		26,461
Norfolk County Council	3,595	6,027	6,802	8,070	6,138	8,071	38,703
iBCF Projects expenditure (Note B)	5,272	7,791	7,033	7,068	7,109		34,273
Winter Funding	728	873	819	802	957		4,179
Total Expenditure	**13,102**	**19,890**	**21,123**	**21,374**	**20,056**	**8,071**	**103,616**
(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 £33.173m by the County Council and a carried-forward balance of £1.100m.

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
CCGs	(3,672)	(4,835)	(5,538)	(6,121)	(5,555)		(25,721)
Norfolk County Council	(3,437)	(5,763)	(6,503)	(7,716)	(5,869)		(29,288)
Capital Grants						(7,480)	(7,480)
iBCF Grant Income (Note A)	(3,585)	(6,430)	(5,731)	(6,389)	(5,595)		(27,730)
Total Income	**(10,694)**	**(17,028)**	**(17,772)**	**(20,226)**	**(17,019)**	**(7,480)**	**(90,219)**
CCGs	3,672	4,835	5,538	6,121	5,555		25,721
Norfolk County Council	3,437	5,763	6,503	7,716	5,869	7,480	36,768
iBCF Projects expenditure (Note B)	3,585	6,430	5,731	6,389	5,595		27,730
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 Adults 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.

- **Equipment Pool**

As part of the Better Care Fund, the Council hosts an Equipment Service arrangement and decisions made jointly with the CCGs. The fund supplies 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 borne by the partner responsible.

2019-20	**Contributions £000s**	**Expenditure £000s**	**Net (surplus) / deficit £000s**
Clinical Commissioning Groups:			
Great Yarmouth and Waveney CCG	(635)	635	0
North Norfolk CCG	(1,492)	1,492	0
Norwich CCG	(1,311)	1,311	0
South Norfolk CCG	(1,201)	1,201	0
West Norfolk CCG	(1,101)	1,101	0
	(5,740)	**5,740**	**0**
Norfolk County Council	(3,560)	3,560	0
Total	**(9,300)**	**9,300**	**0**

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**

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

From 1 September 2003 until 31 October 2020, Norfolk County Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to supply a pharmaceutical and medicines management service in Norfolk. Norfolk County Council supplied financial management for the Pooled Fund. The County Council and the CCG's have agreed that any remaining surplus/deficit will be returned to the Partners.

2018-19 Restated		2019-20
£000s		£000s
(389)	Gross Income	(194)
249	Expenditure	194
(140)	**(Surplus)/Deficit**	**0**
20	Council's Contribution	20

- **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 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.

2018-19		2019-20
£000s		£000s
3,543	Balance brought forward	3,633
4,935	Gross Income	5,700
(4,875)	Expenditure	(3,032)
30	Interest on daily cash balances	49
3,633	**Balance carried forward**	**6,350**

12. Members Allowances

The total amount of members allowances paid in the year was £1.294m (£1.260m in 2018-19).

13. Officers Remuneration

(i) Council's senior employees:

The following tables set out the remuneration disclosures for senior officers.

Remuneration includes:

- 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 is the fees paid to secure the services of these officers.

Figures in the tables are rounded to the nearest hundred pounds.

2019-20							
Position & Postholder	Note	Salary	Expenses Allowances*	Compensation for loss of office	**Sub Total**	Employer Pension contributions	**Total**
		£	£	£	**£**	£	**£**
Executive Director of Communities and Environment (Head of Paid Service): *T McCabe*		158,000	0	0	158,000	24,500	**182,500**
Executive Director of Adult Social Services: *J Bullion*		146,700	0	0	146,700	22,800	**169,500**
Executive Director of Children's Services: *S Tough*		155,800	0	0	155,800	24,100	**179,900**
Executive Director of Finance and Commercial Services: *S George*	A	148,000	0	0	148,000	22,900	**170,900**
Executive Director of Strategy and Governance: *F McDiarmid*		129,000	0	0	129,000	20,000	**149,000**
Director of Public Health: *L Smith*		116,800	0	0	116,800	16,800	**133,600**
Chief Fire Officer: *S Ruff*	B	122,400	200	0	122,600	45,700	**168,300**
Chief Fire Officer: *D Ashworth*	B	2,100	0	0	2,100	800	**2,900**
Chief Legal Officer: *H Edwards*		104,900	0	0	104,900	16,300	**121,200**

*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: 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 2019-20 the remuneration amount incurred by the Fund was £9,000 and forms part of the remuneration figure shown in the table above.

Note B: 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.

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 added 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 2019-20 the remuneration amount incurred by the Fund was £9,000 and forms part of the remuneration figure shown in the table above.

Note C: The post of Strategy Director 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 2020 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 2020 is shown in the table above. The Council's Deputy Monitoring Officer covered the Monitoring Officer function until the recruitment process was complete. For 2019-20, 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.

(ii) The number of other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are in the table below:

2018-19				2019-20		
School Staff	Other Staff	Total Employees	Remuneration Band	School Staff	Other Staff	Total Employees
55	117	172	£50,000 - £54,999	51	143	194
56	60	116	£55,000 - £59,999	50	63	113
33	42	75	£60,000 - £64,999	29	48	77
19	16	35	£65,000 - £69,999	22	14	36
9	20	29	£70,000 - £74,999	16	24	40
3	2	5	£75,000 - £79,999	4	7	11
3	5	8	£80,000 - £84,999	3	5	8
0	3	3	£85,000 - £89,999	1	2	3
3	5	8	£90,000 - £94,999	1	4	5
1	5	6	£95,000 - £99,999	2	6	8
2	2	4	£100,000 - £104,999	2	4	6
0	2	2	£105,000 - £109,999	0	4	4
1	0	1	£110,000 - £114,999	1	1	2
0	0	0	£115,000 - £119,999	0	0	0
0	2	2	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	1	1
0	1	1	£130,000 - £134,999	0	1	1
0	1	1	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	0	0
0	0	0	£145,000 - £149,999	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:

2018-19					2019-20			
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	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
			£000s					£000s
81	95	176	1,041	£0 - £20,000	42	101	143	731
9	7	16	414	£20,001 - £40,000	6	9	15	377
1	1	2	108	£40,001 - £60,000	1	5	6	279
0	2	2	127	£60,001 - £80,000	0	0	0	0
0	0	0	0	£80,001 - £100,000	0	0	0	0
0	0	0	0	£100,001 - £120,000	0	1	1	111
0	0	0	0	Over £120,000	0	0	0	0
91	**105**	**196**	**1,690**	**Total**	**49**	**116**	**165**	**1,498**

14. 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.

2018-19		2019-20
£000s		**£000s**
98	Fees payable to external auditors for external audit services carried out by the appointed auditor for the year	98
9	Fees payable to external auditors for the certification of grant claims and returns for the year	8
107	**Total**	**106**

15. 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 showing whether the Dedicated Schools Grant has been deployed following regulations.

Funding of the Council's expenditure on schools is primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The Department recoup an element of DSG to fund Academy schools in the Council's area. DSG is ring-fenced and can only 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), split into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

2018-19				2019-20		
Total	**Central Expenditure**	**Individual Schools Budget**		**Total**	**Central Expenditure**	**Individual Schools Budget**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
(600,391)			Final DSG for the financial year (before Academy recoupment)	(609,519)		
321,475			Academy figure recouped	342,692		
(278,916)			Total DSG (after Academy recoupment)	(266,827)		
8,087			Plus: Brought forward from the previous year	10,887		
0			Less: Carry forward to next financial year agreed in advance	0		
(270,829)	(29,762)	(241,067)	Agreed initial budgeted distribution in the year	(255,940)	(24,774)	(231,166)
0	0	0	In year adjustments	795	0	795
(270,829)	(29,762)	(241,067)	Final budget distribution for the year	(255,145)	(24,774)	(230,371)
40,649	40,649	0	Less: Actual central expenditure	44,477	44,477	0
241,067	0	241,067	Less: Actual ISB deployed to schools	230,371	0	230,371
			Plus			
0	0	0	Council contribution for the year	0	0	0
10,887	**10,887**	**0**	**Carry forward to next financial year**	**19,703**	**19,703**	**0**

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

Supporting the Movement in Reserves Statement

16. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments made to the total comprehensive income and expenditure recognised by the Council in the year following proper accounting practice to arrive at the resources 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 must be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might otherwise authorise. These rules can also specify the financial year in which liabilities and payments should affect the General Fund Balance, which is not necessarily following proper accounting practice. The General Fund Balance therefore summarises the resources that the Council can spend on its services or on capital investment (or the deficit of resources that the Council must 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 can only 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 used 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 demand repayment of the monies, but which have yet to be used to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be used and/or the financial year in which this can take place.

2019-20	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)	74,076		
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(43)		
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	4,574		
Holiday Pay (transferred to the Accumulated Absences Reserve)	124		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account):	41,727		38,321
Total Adjustment to Revenue Resources	**120,458**	**0**	**38,321**
Adjustments between Revenue and Capital Resources:			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(6,677)	6,677	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	66	(66)	
Statutory provision for the repayment of debt	(2,148)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0		
Total Adjustments between Revenue and Capital Resources	**(8,759)**	**6,611**	**0**
Adjustments to Capital Resources:			
Use of the Capital Receipts reserve to finance capital expenditure		(7,525)	
Long term debtor repayments in year		1,848	
Application of capital grants to finance capital expenditure			(38,845)
Total Adjustments to Capital Resources	**0**	**(5,677)**	**(38,845)**
Total Adjustments in 2019-20	**111,699**	**934**	**(524)**

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 (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**

17. Transfers to/from earmarked reserves

The table shows each of the Council's earmarked reserve accounts where the balance is more than £1m either on 31 March 2019 or 31 March 2020. Descriptions of each of these earmarked reserves follow the table.

	Balance at 31 March 2018	Transfers in 2018-19	Transfers out 2018-19	Balance at 31 March 2019	Transfers in 2019-20	Transfers out 2019-20	Balance at 31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LMS Balances	**13,964**	14,707	(15,767)	**12,904**	14,123	(14,666)	**12,361**
Dedicated School Grant (DSG)	**(8,087)**	4,094	(6,894)	**(10,887)**	1,491	(10,307)	**(19,703)**
Adult Social Care Residential Review	**809**	332	(25)	**1,116**	1,567	(1,154)	**1,529**
Building Maintenance	**4,176**	83	(1,094)	**3,165**	478	(1,766)	**1,877**
Business Rates Pilot	**0**	0	0	**0**	7,752	0	**7,752**
Business Risk Reserve (ASC)	**4,500**	3,417	(838)	**7,079**	430	(2,604)	**4,905**
Business Risk Reserve (General)	**3,671**	3,143	(4,457)	**2,357**	28,932	(2,473)	**28,816**
Economic Development and Tourism	**1,992**	448	(329)	**2,111**	1,269	(966)	**2,414**
Highways Maintenance	**5,796**	1,739	(1,006)	**6,529**	4,293	(2,674)	**8,148**
Income Reserve	**357**	322	(2)	**677**	722	(144)	**1,255**
Information Technology	**3,112**	1,038	(429)	**3,721**	71	(355)	**3,437**
Insurance Reserve	**787**	3,548	(1,416)	**2,919**	1,134	(2,888)	**1,165**
Organisational Change and Redundancy Reserve	**4,995**	987	(1,815)	**4,167**	401	(1,394)	**3,174**
Repairs and Renewals Fund	**3,038**	555	(456)	**3,137**	1,053	(637)	**3,553**

	Balance at 31 March 2018	Transfers in 2018-19	Transfers out 2018-19	Balance at 31 March 2019	Transfers in 2019-20	Transfers out 2019-20	Balance at 31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Street Lighting PFI Sinking Fund	**5,052**	3,729	(4,073)	**4,708**	3,418	(3,235)	**4,891**
Unspent Grants and Contributions	**26,675**	9,426	(9,547)	**26,554**	7,430	(15,282)	**18,702**
Other earmarked reserves	**5,322**	2,275	(2,499)	**5,098**	2,324	(2,296)	**5,126**
TOTAL	**76,159**	**49,843**	**(50,647)**	**75,355**	**76,888**	**(62,841)**	**89,402**

Details of earmarked reserves:

LMS Balances	This reserve is surpluses and deficits against delegated budgets for locally managed schools. These funds are kept for schools following the LMS arrangements approved by the DfES and are not available to the Council for general use.
Dedicated School Grant	The School and Early Years Finance (England) Regulations 2020 state DSG deficit balances are to be held within the local authority's overall DSG. Authorities cannot fund a deficit from the general fund without the secretary of state's approval.
Adult Social Care Residential Review	This reserve was the result of savings arising from the new conditions of services and is to develop homes for the elderly.
Building Maintenance	This reserve is to uphold the capital value of the Council's building stock and helps 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.
Business Rates Pilot	This reserve holds forecast additional retained business rates from the 2019-20 Norfolk Business Rates Pilot. The pilot outturn will be confirmed with the completion and audit of the 2019-20 NNDR3 returns. Funds will then be released from the reserve to support the 2020-21 County Council budget and paid into the pilot joint investment fund along with district council contributions to fund economic development projects in Norfolk.
Business Risk Reserve (ASC & General)	This reserve is to provide flexibility with managing budget risks and to ease the level of savings needed in future years. Part of the reserve is ear marked for Adult Social Services for managing key budget risks within the service.
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 supports the undertaking of a wide range of maintenance schemes. The reserve smooths the peaks and troughs of expenditure on highway maintenance which is highly dependent on the severity of the winter. The balance mainly relates to commuted sums paid by developers to cover the added maintenance work arising from their developments. The reserve also reflects monies from decriminalised car parking arrangements and charging utility companies for use 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 more than those planned for in the Insurance Provision.
Organisational Change and Redundancy Reserve	This reserve is to support and invest in transformational change e.g. shared services, and to fund redundancy costs.
Repairs and Renewals Fund	This fund is to meet the cost of buying and repairing specific equipment.
Street Lighting PFI Sinking Fund	This reserve reflects receipt of government PFI grant needed to meet contract payments for the Street Lighting PFI scheme.
Unspent Grants and Contributions Reserve	This reserve holds the balances on the Council’s unconditional grants and contributions.
Other Earmarked Reserves	These mainly include various reserves held in respect of initiatives begun in previous years for which outstanding planned financial provision will be utilised in 2020-21 or future years as initiatives finish. All balances on each of these reserves as at 31 March 2019 and 31 March 2020 are below £1m.

Supporting the Balance Sheet

18. Property, Plant and Equipment

2019-20	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure 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 2019	708,172	57,233	1,276,561	35,369	22,760	**2,100,095**	46,280
Additions	10,848	10,911	44,383	51,883	369	**118,394**	48
Revaluation increases/(decreases):							
- to Revaluation reserve	10,215	0	0	0	9,229	**19,444**	0
- to surplus or deficit on provision of services	(10,507)	0	0	0	4	**(10,503)**	0
Derecognition - disposals	(37,960)	(4,654)	0	0	(1)	**(42,615)**	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	(7,890)	**(7,890)**	0
Reclassifications and transfers	24,109	646	8,216	(34,680)	1,207	**(502)**	0
At 31 March 2020	**704,877**	**64,136**	**1,329,160**	**52,572**	**25,678**	**2,176,423**	**46,328**
Accumulated Depreciation and Impairment							
At 1 April 2019	108,464	31,166	315,012	0	12,398	**467,040**	3,909
Depreciation charge	15,653	7,057	34,134	0	56	**56,900**	1,203
Depreciation written out to Revaluation reserve	(3,106)	0	0	0	(38)	**(3,144)**	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(3,017)	0	0	0	(30)	**(3,047)**	0
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	1,521	0	0	0	0	**1,521**	0
- the surplus or deficit on provision of services	6,000	0	0	0	369	**6,369**	0
Derecognition - disposals	(2,404)	(4,391)	0	0	0	**(6,795)**	0
Reclassifications and transfers	(35)	0	0	0	(58)	**(93)**	0
At 31 March 2020	**123,076**	**33,832**	**349,146**	**0**	**12,697**	**518,751**	**5,112**
Net Book Value:							
At 31 March 2020	**581,801**	**30,304**	**980,014**	**52,572**	**12,981**	**1,657,672**	**41,216**
At 31 March 2019	599,708	26,067	961,549	35,369	10,362	**1,633,055**	42,371

2018-19	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	**Total Property, Plant and Equipment £000s**	PFI Assets included in Property, Plant and Equipment £000s
<u>Cost or Valuation</u>								
At 1 April 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**
<u>Accumulated Depreciation and Impairment</u>								
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**
<u>Net Book Value:</u>								
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

Depreciation

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

Impairment Losses

During 2019-20 the Council recognised an impairment loss of £11.147m (£9.437m in 2018-19) in relation to capital expenditure incurred which does not result in a change to the value of the assets. Impairment reversals on revaluations total £5.399m (£0.838m in 2018-19).

Capital commitments

At 31 March 2020, the Council has entered into several 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 2019 were £53.427m.

Service/Scheme	**Contract Completion**	**£000s**
Children's Services schools projects:		
Trowse Primary School	2020-21	1,949
North Denes New School	2020-21	1,655
North Lynn	2020-21	2,750
Hethersett New Primary	2020-21	1,710
Wymondham Secondary Expansion	2020-21	2,853
Hethersett Academy Expansion	2020-21	2,814
Hethersett Junior Reorganisation	2021-22	3,469
New Social, Emotional and Mental Health (SEMH) Free School	2021-22	13,329
Community and Environmental Services		
Local full fibre network	2021-22	5,715
Finance and Commercial Services		
County Hall refurbishment	2020-21	15,506
Technology improvements	2020-21	3,665
		55,415

In addition to the above, the Council has three major on-going contract arrangements for integrated highways services, highways works, 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 2020-23 at 31 March 2020 was £172.0m, including £96.3m in respect of the Great Yarmouth Third River Crossing.

Revaluations

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

	Land and Buildings	Vehicles, plant and equipment	Infrastructure Assets	Surplus assets
	£000s	£000s	£000s	£000s
Carried at Historical Cost	-	30,184	980,614	-
Valued at current value in:				
2019-20	100,552	-	-	8,010
2018-19	98,765	-	-	1,167
2017-18	252,581	-	-	2,212
2016-17	121,069	-	-	1,552
2015-16	3,064	-	-	40
Total	**576,031**	**30,184**	**980,614**	**12,981**

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 correct for inclusion in the statement of accounts.

Surplus Assets

Of the Council's Surplus Assets at 31 March 2020 assets valued at £10.620m have been assessed as Level 3 for valuation purposes, with the rest assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 20 below.

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

	2019-20
	£000s
Opening balance	**8,298**
Transfers to Assets held for Sale	(514)
Transfers into Level 3	1,413
Transfers out of Level 3	0
Revaluation gains/(losses) - revaluation reserve	1,314
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	109
Closing Balance	**10,620**

19. 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 2019	6,535	634	7,169
Additions	0	3,101	3,101
Revaluations	125	2,899	3,024
At 31 March 2020	**6,660**	**6,634**	**13,294**

	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**

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 Norfolk Windmills Trust, (registered as the Norfolk Mills and Pumps Trust), manages the mills and works as a registered charity for the preservation of mills and their associated sites, ruins, 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. Annual reviews of the carrying amounts against the insurance schedules for these items show where there is a movement in the valuation. The treatment of this revaluation follows 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 no valuation, 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 set up under delegated powers by the County and District Councils in Norfolk, the Norfolk Museums Service runs museums throughout the County. The relevant district councils own most of the collections and related buildings. The only collections owned by the Council are at Gressenhall Farm and Workhouse, and a small number of artworks at County Hall, Norwich.

During 2019-2020 Norfolk County Council purchased a Paston Pietre Dure Table and the West Walton Bridges 1806 (painting) at a cost of £3.1m. These purchases were externally funded by the national lottery and the museums art fund.

- 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 obtained since 1 April 2010 have a recorded value and 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.

20. Investment Properties

The Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement includes the following:

2018-19		2019-20
£000s		£000s
(368)	Rental income from investment property	(436)
0	Direct operating expenses arising from investment property	0
337	(Gains)/Losses on changes in fair value	(744)
(31)	**Net (gain)/loss**	**(1,180)**

Investment properties are 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 aims of, over time, generating income for the County Council at a time when public funding is scarce, whether recurring or as a capital receipt. Norfolk County Council and Norwich City Council jointly own the industrial estate.

The Council incurs no direct costs in respect of the industrial estate, where income received is 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:

2018-19		2019-20
£000s		£000s
21,529	**Balance at the start of the year**	**21,192**
0	Additions	0
0	Disposals	0
0	Other Movements	164
(337)	Net gains/(losses) from fair value investments	744
21,192	**Balance at the end of the year**	**22,100**

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 and Level 3 for valuation purposes (see Note 41 Section vi) for explanation of fair value levels).

	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value 31 March 2020
	£000s	£000s	£000s
Commercial Estate	2,026	10,319	12,345
Land with development potential	0	9,755	9,755
Total	**2,026**	**20,074**	**22,100**

Of the net gains/(losses) from fair value investments in 2019-20, £(0.137)m relates to fair value measurements categorised within Level 3 of the fair value hierarchy (£(0.337)m in 2018-19).

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

	Commercial Estate	Land with development potential	Total
	£000s	£000s	£000s
Opening balance 1 April 2019	**10,456**	**9,755**	**20,211**
Transfers into Level 3 from level 2	0	0	0
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(137)	0	(137)
Closing Balance 31 March 2020	**10,319**	**9,755**	**20,074**

<u>Valuation techniques used to determine Level 2 fair values for Investment Properties</u>

The fair value of investment property is measured using a market approach, which considers 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.

<u>Valuation techniques used to determine Level 3 fair values for Investment Properties</u>

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 considered: 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.

<u>Highest and best use of Investment Properties</u>

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

<u>Valuers</u>

NPS Property Consultants Limited value the investment property portfolio by following the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

21. Financial Instruments

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

31 March 2019 Long Term £000s	31 March 2019 Short Term £000s		31 March 2020 Long Term £000s	31 March 2020 Short Term £000s
		Investments:		
11,964	34,683	Amortised Cost	15,454	85,103
2,439	0	Fair Value through Other Comprehensive Income	2,981	0
14,403	**34,683**	**Total Financial Assets**	**18,435**	**85,103**
0	0	Non-financial assets	0	0
14,403	**34,683**	**Total Investments**	**18,435**	**85,103**
		Debtors:		
72,353	91,075	Amortised Cost	73,642	93,627
72,353	**91,075**	**Total Financial Assets**	**73,642**	**93,627**
0	78,346	Non-financial assets	0	54,182
72,353	**169,421**	**Total Debtors**	**73,642**	**147,809**
		Cash and Cash equivalents:		
0	67,878	Amortised Cost	0	72,034
0	**67,878**	**Total Financial Assets**	**0**	**72,034**
0	0	Non-financial assets	0	0
0	**67,878**	**Total Cash and cash equivalents**	**0**	**72,034**
		Borrowings:		
620,751	13,689	Amortised Cost	701,418	13,802
620,751	**13,689**	**Total Financial Liabilities**	**701,418**	**13,802**
0	0	Non-financial Liabilities	0	0
620,751	**13,689**	**Total Borrowings**	**701,418**	**13,802**
		Other short/long term liabilities:		
50,083	1,602	Amortised Cost	48,170	1,912
50,083	**1,602**	**Total Financial Liabilities**	**48,170**	**1,912**
1,427,290	0	Non-financial Liabilities	1,119,810	0
1,477,373	**1,602**	**Total Other Short/Long Term Liabilities**	**1,167,980**	**1,912**
		Creditors:		
0	135,689	Amortised Cost	0	106,946
0	**135,689**	**Total Financial Liabilities**	**0**	**106,946**
0	26,285	Non-financial Liabilities	0	53,465
0	**161,974**	**Total Creditors**	**0**	**160,411**

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 choice 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 (4.16%). 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 64 employees in the authority who are in posts that need 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 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 stays at amortised cost as the company is included in the Council's group accounts.

None of the companies are quoted on the stock exchange.

2018-19					2019-20			
Nominal Value at 31 March	**Fair Value at 31 March**	**Increase/ (Decrease) in Fair Value**	**Dividends Paid***		**Nominal Value at 31 March**	**Fair Value at 31 March**	**Increase/ (Decrease) in Fair Value**	**Dividends Paid**
£000s	**£000s**	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**	**£000s**
				Non-listed securities:				
1,236	390	0	0	Norwich Airport	0	0	(390)	0
1	2,049	(835)	833	Legislator 1656	1	2,981	932	536
1	0	0	0	Legislator 1657	1	0	0	0
1,238	**2,439**	**(835)**	**833**	**Total**	**2**	**2,981**	**542**	**536**

*The 2018-19 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.

During 2019-20 the Council, along with Norwich City Council, sold the remaining shares held in Norwich Airport Ltd. Legislator 1656 also sold their remaining share in Norwich Airport Ltd.

	2019-20
	£000s
Fair Value on derecognition	390
Loss/(Gain) on disposal	(1,407)

Income, Expense, Gains and Losses

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

2018-19		2019-20
£000s		£000s
	Net (gains)/losses on:	
(62)	Financial liabilities measured at amortised cost	0
(62)	**Total net (gains)/losses**	**0**
	Interest revenue:	
(2,221)	Financial assets measured at amortised cost	(3,581)
(2,221)	**Total interest revenue**	**(3,581)**
	Interest expense:	
30,688	Financial assets measured at amortised cost	34,016
30,688	**Total interest expense**	**34,016**
28,405	**Net (gain)/loss for the year**	**30,435**

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.

31 March 2019				31 March 2020
£000s	**Recurring fair value measurements**	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	£000s
	Fair Value through Other Comprehensive Income			
390	Norwich Airport	Level 3	Earnings Based Valuation	0
2,049	Legislator 1656	Level 3	Adjusted Net Assets Valuation	2,981
0	Legislator 1657	Level 3	Adjusted Net Assets Valuation	0
2,439	**Total**			**2,981**

The Council's shareholding in Legislator companies are not traded in an active market. The fair value of £2.981m 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 shown in the Balance Sheet at amortised cost. Their fair value equals 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 supply 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 supplies a sound approximation for fair value for these instruments;
- for loans receivable prevailing benchmark market rates have been used to supply 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:

31 March 2019			31 March 2020	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
£000s	**£000s**		**£000s**	**£000s**
		Financial Liabilities		
589,360	927,506	PWLB debt	670,208	1,171,973
45,080	72,632	Non PWLB debt	45,012	80,657
51,685	86,246	PFI and finance lease liabilities	50,082	84,491
135,689	135,689	Short term creditors	106,946	106,946
821,814	**1,222,073**	**Total**	**872,248**	**1,444,067**

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes several 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 £1.171bn 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 added 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.

31 March 2019			31 March 2020	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
£000s	**£000s**		**£000s**	**£000s**
		Financial Assets		
34,683	34,683	Investments	85,103	85,103
67,878	67,878	Cash and cash equivalents	72,034	72,034
72,353	72,353	Long term debtors	73,642	73,642
91,075	91,075	Short term debtors	93,627	93,627
265,989	**265,989**	**Total**	**324,406**	**324,406**

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

The long-term investment classified as Amortised Cost is not 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.

22. 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 informed by the District Councils, in relation to the collection of council tax and business rates. The total for other receivables includes employee car loans.

31 March 2019			31 March 2020	
Long Term £000s	Short Term £000s		Long Term £000s	Short Term £000s
		Trade Customers		
3,391	55,945	- Service Recipients	3,289	56,690
0	61,806	- Other Trade Customers	0	70,192
19,389	3,817	Subsidiaries	21,717	4,008
49,573	3,081	Other Receivables	48,636	1,562
0	44,772	Prepayments	0	15,357
72,353	**169,421**	**Total Debtors**	**73,642**	**147,809**

23. Cash and Cash Equivalents

The balance of cash and cash equivalents consists of the following elements:

31 March 2019		31 March 2020
£000s		£000s
(5,584)	Cash and Bank balances	(16,599)
73,462	Short term deposits with the Money Market	88,633
67,878	**Total Cash and Cash Equivalents**	**72,034**

24. Assets Held for Sale

2018-19		2019-20
£000s		£000s
3,555	**Balance outstanding at start of year**	**593**
	Assets newly classified as held for sale:	
1,704	- Property plant and equipment	7,890
(4,284)	Assets sold	(4,174)
(382)	Other Movements	(9)
593	**Balance outstanding at year end**	**4,300**

Fair value hierarchy

Of the Council's assets held for sale at 31 March 2020, 2 assets, valued at £0.750m, have been assessed as Level 3 for valuation purposes. All other assets held for sale, and all those held at 31 March 2020 have been assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 20.

25. Creditors

The table shows 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 informed by the District Councils, in relation to the collection of council tax and business rates.

31 March 2019		31 March 2020
£000s		£000s
125,905	Trade Payables	121,753
9,426	Subsidiaries	5,697
22,658	Other Payables	25,778
	Receipts in advance	
2,963	- Contract Liabilities	3,860
1,022	- Other receipts in advance	3,323
161,974	**Total Short-Term Creditors**	**160,411**

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

31 March 2019		31 March 2020
£000s		£000s
2,015	Contract Liabilities at the beginning of the year	2,963
2,908	Increases due to cash received	3,851
(1,960)	Transfers from contract liabilities recognised at the beginning of the period to payables	(2,954)
2,963	**Contract Liabilities at the end of the year**	**3,860**

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.

26. Provisions

The County Council has made several provisions to set aside sums to meet liabilities that are likely or certain to happen 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
Opening balance 1 April 2019	**9,310**	**12,362**	**113**	**4,214**	**25,999**
Extra provisions made in 2019-20	3,852	903	0	6,088	**10,843**
Amounts used in 2019-20	(3,201)	(618)	(85)	(1,748)	**(5,652)**
Amounts reversed to revenue	0	0	0	0	**0**
Closing Balance 31 March 2020	**9,961**	**12,647**	**28**	**8,554**	**31,190**
Consists of:					
Current Provisions	74	0	28	8,554	**8,656**
Long Term Provisions	9,887	12,647	0	0	**22,534**
Total	**9,961**	**12,647**	**28**	**8,554**	**31,190**

Details of provisions:

Insurance	This provision meets 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 happened but not reported to the Council.
Landfill	This provision is the discounted cost of making adequate provision for the monitoring and maintenance of closed landfill sites following 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.

27. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement with additional detail given in notes 16 and 17.

The General Fund Balance consists:

31 March 2019		31 March 2020
£000s		**£000s**
19,623	General Fund Reserve	19,706
75,355	Earmarked Reserves (Note 17 on page 43)	89,402
94,978	**Total General Fund Balance**	**109,108**

28. Unusable Reserves

31 March 2019		31 March 2020
£000s		**£000s**
225,535	Revaluation Reserve	233,274
1,201	Financial Instruments Revaluation Reserve	2,979
707,956	Capital Adjustment Account	690,085
(2,804)	Financial Instruments Adjustment Account	(2,761)
(1,427,290)	Pensions Reserve	(1,119,810)
6,888	Collection Fund Adjustment Account	2,314
(7,899)	Accumulated Absences Account	(8,023)
(496,413)	**Total Unusable Reserves**	**(201,942)**

Revaluation Reserve

This reserve holds the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance reduces 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 used through depreciation; or
- Disposed of and the gains are realised.

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

2018-19		2019-20
£000s		£000s
231,688	**Balance at 1 April**	**225,535**
25,632	Upward revaluation of assets	35,350
(4,547)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(11,259)
21,085	**Surplus or (deficit) on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement**	**24,091**
(6,566)	Difference between fair value depreciation and historical cost depreciation	(6,253)
(20,672)	Accumulated gains on assets sold or scrapped	(10,099)
(27,238)	**Amount written off to the Capital Adjustment Account**	**(16,352)**
225,535	**Balance at 31 March**	**233,274**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve holds 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 reduces when investments with accumulated gains are:

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

2018-19		2019-20
£000s		£000s
2,036	**Balance at 1 April**	**1,201**
0	Upward revaluation of investments	932
(835)	Downward revaluation of investments	0
0	Disposal of financial instruments*	846
1,201	**Balance at 31 March**	**2,979**

*The Financial Instruments Revaluation Reserve held a loss for the financial asset sold.

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 holds accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be used by the Council. It also holds 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 16 shows details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018-19		2019-20
£000s		£000s
733,863	**Balance at 1 April**	**707,956**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(64,154)	- Charges for depreciation and impairment non-current assets	(62,647)
(5,272)	- Revaluation gains/(losses) on property, plant and equipment	(8,077)
(337)	- Movement in the fair value of investment properties	744
(514)	- Amortisation of intangible assets	(753)
(31,786)	- Revenue expenditure funded from capital under statute	(48,017)
(68,783)	- 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 6)	(40,404)
(170,846)		**(159,154)**
27,238	Adjusting amounts written out of the Revaluation Reserve	15,506
(143,608)	**Net written out amount of the cost of non-current assets consumed in the year**	**(143,648)**
	Capital financing applied in the year:	
2,000	- Use of the Capital Receipts Reserve to finance new capital expenditure	2,000
4,840	- Use of capital receipts to repay the principal of amounts previously borrowed	5,525
83,538	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been used to capital financing	79,106
21,915	- Application of grants to capital financing from the Capital Grants Unapplied Account	38,845
3,484	- Statutory provision for the financing of capital investment charged against the General Fund	300
1,923	- Capital expenditure charged against the General Fund	0
117,700		**125,776**
1	Other Adjustments	1
707,956	**Balance at 31 March**	**690,085**

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.

2018-19		2019-20
£000s		**£000s**
(2,786)	**Balance at 1 April**	**(2,804)**
(62)	Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
44	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year following statutory requirements	43
(2,804)	**Balance at 31 March**	**(2,761)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits following statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements demand benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is 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 adequate funding is available by the time the benefits are due.

2018-19		2019-20
£000s		**£000s**
(1,184,646)	**Balance at 1 April**	**(1,427,290)**
(166,795)	Net remeasurements of the defined benefit liabilities and assets	381,556
(139,263)	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	(140,633)
63,414	Employers pensions contributions and direct payments to pensioners payable in the year	66,557
(1,427,290)	**Balance at 31 March**	**(1,119,810)**

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.

2018-19		2019-20
£000s		**£000s**
8,019	**Balance at 1 April**	**6,888**
(1,131)	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 following statutory requirements	(4,574)
6,888	**Balance at 31 March**	**2,314**

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 following statutory requirements.

2018-19			2019-20	
£000s	**£000s**		**£000s**	**£000s**
	(10,047)	**Balance at 1 April**		**(7,899)**
10,047		Settlement or cancellation of accrual made at the end of the preceding year	7,899	
(7,899)		Amounts accrued at the end of the current year	(8,023)	
	2,148	Amount charged to the Comprehensive Income and Expenditure Statement		(124)
	(7,899)	**Balance at 31 March**		**(8,023)**

29. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is in the table below (including the value of assets gained under finance leases and PFI contracts), together with the resources 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.

2018-19		2019-20
£000s		£000s
738,008	**Opening Capital Financing Requirement**	**777,846**
	Capital Investment	
121,290	- Property, plant and equipment	121,242
1,389	- Intangible assets	0
31,786	- Revenue expenditure funded from capital under statute	48,018
4,083	- Loans / Share Capital	8,389
	Sources of Finance	
(6,840)	- Capital receipts	(7,525)
(105,453)	- Government grants and other contributions	(117,951)
	- Sums set aside from revenue:	
(1,923)	- Direct revenue contributions	0
(4,494)	- Minimum Revenue Provision	(2,254)
777,846	**Closing Capital Financing Requirement**	**827,765**
	Explanation of Movements in Year	
(4,494)	Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(2,254)
44,332	Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	52,173
39,838	**Increase/(decrease) in Capital Financing Requirement**	**49,919**

30. Leases

Council as Lessee:

(i) Finance Leases

The Council has obtained the following assets under finance leases:

- Land and Buildings – The Council has several finance leases of land and buildings which are at a peppercorn rent.
- Vehicles, Plant and Equipment – The Council has obtained vehicles and equipment for the Fire service, Library service, Children's Services, Highways and ICT.

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

31 March 2019		31 March 2020
£000s		£000s
9,166	Land and buildings	11,203
1,439	Vehicles, plant and equipment	951
2,856	Heritage Assets	2,911
13,461	**Total**	**15,065**

The Council is committed to making minimum payments under these leases including settlement of the long-term liability for the interest in the property obtained by the Council and finance costs that will be payable by the Council in future years while the liability is outstanding. The minimum lease payments include the following amounts:

31 March 2019		31 March 2020
£000s		£000s
	Finance lease liabilities (net present value of minimum lease payments):	
542	- Current	336
872	- Non-current	536
79	Finance costs payable in future years	38
1,493	**Total**	**910**

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

31 March 2019			31 March 2020	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
584	542	Not later than one year	362	336
909	872	Later than one year and not later than five years	548	536
0	0	Later than five years	0	0
1,493	**1,414**	**Total**	**910**	**872**

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

(ii) Operating Leases

The Council uses leased vehicles and communication equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2019-20 was £1.121m (£1.353m in 2018-19).

The Council leases several properties on short term leases which are treated as operating leases. The rentals payable in 2019-20 were £1.381m (£1.622m in 2018-19).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to all operating leases was £2.502m (£2.975m in 2018-19).

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

31 March 2019		31 March 2020
£000s		**£000s**
2,138	Not later than one year	1,586
6,039	Later than one year and not later than five years	4,642
10,568	Later than five years	10,221
18,745	**Total**	**16,449**

The Council as Lessor:

(i) Finance leases

The Council has leased out school buildings to Academy schools on 125-year finance lease agreements according 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 several other properties, including heritage assets, which are leased out on finance leases for peppercorn rents.

(ii) Operating leases

The Council leases out property under operating leases for several 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 2019		31 March 2020
£000s		**£000s**
3,959	Leases expiring within 1 year	2,882
12,441	Leases expiring within 2 to 5 years	10,304
11,898	Leases expiring after 5 years	12,266
28,298	**Total**	**25,452**

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

31. PFI and similar contracts

At 31 March 2020, 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 included in the Council's non-current assets total along with the value of the enhancement to Taverham High school. All the schools are 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 Council's balance sheet no longer includes the associated non-current assets.

Salt Barns Private Finance Initiative (PFI)

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

The contract was for the provision of 7 salt barns. These are included within the Council's assets and are revalued in line with the Council's accounting policies.

The PFI arrangement has come to an end, with the Salt domes transferred to Norfolk County Council as of 01 May 2020.

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 expects the contractor to keep 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 deliver services in these schemes are included on the Council's Balance Sheet. Movements in their value over the year are shown in the analysis of the movement on the Property, Plant and Equipment balance in note 18.

Payments

The Council makes payments each year which increase each year by inflation and can be reduced if the contractor does not meet availability and performance standards in any year. Residual payments to be made under the PFI contracts at 31 March 2020 (excluding any estimation of future inflation and availability/performance deductions) are as follows:

Total at 31 March 2019		Reimbursement of capital expenditure	Payment for services	Interest	Total at 31 March 2020
£000s		£000s	£000s	£000s	£000s
13,301	Payable within 1 year	1,576	6,543	4,449	12,568
51,432	Payable within 2-5 years	10,538	23,581	15,961	50,080
63,398	Payable within 6-10 years	22,063	27,998	12,861	62,922
46,041	Payable within 11-15 years	15,033	15,139	2,508	32,680
174,172	**Total**	**49,210**	**73,261**	**35,779**	**158,250**

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 continues to be reimbursed.

The balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2019-20	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	**23,172**	**(220)**	**27,319**	**50,271**
Payments during the year	(3,372)	318	(2,482)	(5,536)
Finance lease cost	2,332	(98)	2,241	4,475
Balance outstanding at year end	**22,132**	**0**	**27,078**	**49,210**

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 at 31 March 2019 arose from a pre-payment of calculated finance lease rental payments which reversed fully in 2019-20.

32. 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 extract its share of the underlying financial position and performance of the Scheme with enough reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore treated on the same basis as a defined contribution scheme.

In 2019-20, the County Council paid £15.725m to Teachers' Pensions in respect of teachers' retirement benefits, being 20.66% of pensionable pay. The figures for 2018-19 were £13.385m and 16.48%. There were no contributions outstanding 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 33.

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 extract 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 2019-20, the County Council paid £0.170m 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 2018-19 were £0.190m and 14.38%. There were no contributions outstanding at the year end.

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the 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 shown as a future entitlement.

The Council contributes 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 must be generated to meet actual pensions payments as they eventually fall due. Details of the scheme are shown in the supplementary statement on page 103.

The Norfolk Pension Fund is managed 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 following 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 (i.e. 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 determined 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 paid as pensions. However, the charge the Council is expected to make against council tax is based on the cash payable in the year, so the full 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:

2018-19			2019-20	
Local Government Pension Scheme	**Fire-Fighters Pension Scheme**		**Local Government Pension Scheme**	**Fire-Fighters Pension Scheme**
£000s	**£000s**		**£000s**	**£000s**
		Comprehensive Income and Expenditure Statement:		
		- Cost of Services:		
83,620	7,000	- Current service cost	107,433	6,600
10,492	14,300	- Past service costs/(gains)	(2,401)	(1,900)
(7,989)	(700)	- (Gain)/loss from settlements	(3,242)	(700)
		Financing and Investment Income and Expenditure:		
22,840	9,700	- Net interest expense	26,043	8,800
108,963	**30,300**	**Total post employment benefit charged to the Surplus or Deficit on the Provision of Services**	**127,833**	**12,800**
		Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:		
		- Remeasurement of the net defined pension liability including:		
(51,821)	0	- Return on plan assets (excluding the amount included in the net interest expense)	109,678	0
0	(26,100)	- Actuarial (gains) and losses arising on changes in demographic assumptions	(74,045)	(11,300)
224,053	26,200	- Actuarial (gains) and losses arising on changes in financial assumptions	(232,808)	(32,700)
3,663	(9,200)	- Other (if applicable)	(143,381)	3,000
284,858	**21,200**	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**	**(212,723)**	**(28,200)**
		Movement in Reserves Statement:		
(108,963)	(30,300)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits following the Code	(127,833)	(12,800)
		Actual amount charged against the General Fund balance for pensions for the year:		
57,114		Employers contributions payable to the scheme*	59,457	
	6,300	Retirement benefits payable to pensioners		7,100

*(includes contributions in respect of unfunded benefits)

The 2018-19 past service costs include £18.085m for the estimated impact of the recent McCloud ruling and £6.397m for the estimated impact of Guaranteed Minimum Pension indexation changes. The 2019-20 past service gains includes £8.321m for the reduction in the estimated impact of the McCloud ruling following the MHCLG consultation.

McCloud ruling

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination, with implications for other public service schemes, including the LGPS.

The MHCLG has consulted on proposals to changes the LGPS to remove unlawful discrimination relating to transitional protection arrangements. The consultation closed on 8 October 2020, and the outcome has yet to be confirmed. The consultation documents estimate additional costs to LGPS employers of £2.5bn in the coming decades. They also point out that as the LGPS is a funded scheme, employer contribution rates are set through local fund valuations and take into account a number of factors and a result it is not possible to say precisely how the proposals may impact on any individual employer’s contribution rate.

The impact of the ruling remains uncertain as it is currently unknown whether benefits gained from 2014 may need to be enhanced or if compensation will be paid. Both Fund’s actuaries have adjusted GAD’s impact estimate to better reflect the local assumptions, particularly salary increases and withdrawal rates. The estimate of increased liabilities due to enhancing all members benefits are included in the figures within this note.

Goodwin ruling

The Goodwin case relates to a recent tribunal ruling on 30 June 2020 around discrimination on the grounds of sexual orientation, whereby the survivor benefit payable to a male spouse of a female member is less than the equivalent benefit payable to a female spouse of a female member. At this stage it is unclear if the Government intend to challenge this ruling and there are no draft regulations or consultation on how to rectify impacted members. As this ruling will only impact on the survivor pensions of female members with pre-1988 service who die after 2005 no specific allowance has been made in the figures above.

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:

2018-19			2019-20	
Funded liabilities: Local Government Pension Scheme £000s	**Unfunded liabilities: Fire-Fighters Pension Scheme £000s**		**Funded liabilities: Local Government Pension Scheme £000s**	**Unfunded liabilities: Fire-Fighters Pension Scheme £000s**
(2,984,597)	(366,100)	Present value of the defined benefit obligation	(2,636,836)	(330,800)
1,923,407	0	Fair value of plan assets	1,847,826	0
(1,061,190)	**(366,100)**	**Net liability arising from defined benefit obligation**	**(789,010)**	**(330,800)**

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

2018-19			2019-20	
Funded liabilities: Local Government Pension Scheme £000s	**Unfunded liabilities: Fire-Fighters Pension Scheme £000s**		**Funded liabilities: Local Government Pension Scheme £000s**	**Unfunded liabilities: Fire-Fighters Pension Scheme £000s**
2,666,055	**351,200**	**Balance at 1 April**	**2,984,597**	**366,100**
83,620	7,000	Current service cost	107,433	6,600
72,112	9,700	Interest cost	72,131	8,800
13,720	1,600	Contributions by scheme participants	14,722	1,600
		Remeasurement (gains) and losses:		
0	(26,100)	Actuarial gains and losses arising on changes in demographic assumptions	(74,045)	(11,300)
224,053	26,200	Actuarial gains and losses arising on changes in financial assumptions	(232,808)	(32,700)
3,663	(9,200)	Other (if applicable)	(143,381)	3,000
10,492	14,300	Past service costs/(gains)	(2,401)	(1,900)
(16,590)	(700)	Losses/(gains) on curtailments	(8,909)	(700)
(72,528)	0	Benefits paid	(80,503)	0
0	(7,900)	Pension and lump sum expenditure	0	(8,700)
2,984,597	**366,100**	**Balance at 31 March**	**2,636,836**	**330,800**

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

31 March 2019		31 March 2020
Local Government Pension Scheme £000s		**Local Government Pension Scheme £000s**
1,832,609	**Opening fair value of scheme assets**	**1,923,407**
49,272	Interest income	46,088
	Remeasurement (gain)/loss:	
51,821	The return on plan assets, excluding the amount included in the net interest expense	(109,678)
57,114	Employer contributions	59,457
13,720	Contributions from employees into the scheme	14,722
(72,528)	Benefits paid	(80,503)
(8,601)	Other (gain/loss from settlements)	(5,667)
1,923,407	**Balance at 31 March**	**1,847,826**

Local Government Pension Scheme Assets included:

Period ended 31 March 2019					Period ended 31 March 2020			
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Asset Category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
£000s	£000s	£000s	%		£000s	£000s	£000s	%
				Equity Securities:				
119,225	-	119,225	6%	Consumer	68,472	-	68,472	5%
98,497	-	98,497	5%	Manufacturing	54,293	-	54,293	4%
43,061	-	43,061	2%	Energy and Utilities	16,556	-	16,556	1%
104,286	-	104,286	5%	Financial Institutions	46,414	-	46,414	3%
46,287	-	46,287	2%	Health and Care	42,890	-	42,890	3%
94,122	-	94,122	5%	Information Technology	57,029	-	57,029	4%
67	-	67	0%	Other	29	-	29	0%
				Debt Securities:				
-	-	-	0%	Corporate Bonds (investment grade)	-	-	-	0%
-	-	-	0%	Corporate Bonds (non-investment grade)	-	-	-	0%
22,042	-	22,042	1%	UK Government	21,473	-	21,473	1%
				Private Equity:				
-	118,746	118,746	6%	All	-	111,200	111,200	8%
				Real Estate:				
-	190,393	190,393	10%	UK Property	-	158,997	158,997	11%
-	36,750	36,750	2%	Overseas Property	-	36,409	36,409	3%
				Investment Funds and Unit Trusts:				
330,963	-	330,963	17%	Equities	534,074	-	534,074	37%
665,990	-	665,990	35%	Bonds	602,087	-	602,087	42%
-	-	-	0%	Hedge Funds	-	-	-	0%
-	-	-	0%	Commodities	-	-	-	0%
-	-	-	0%	Infrastructure	-	51,610	51,610	4%
-	-	-	0%	Other	-	-	-	0%
				Derivatives:				
-	-	-	0%	Inflation	-	-	-	0%
-	-	-	0%	Interest Rates	-	-	-	0%
(530)	-	(530)	0%	Foreign Exchange	-	(2,593)	(2,593)	0%
5,489	-	5,489	0%	Other	-	-	-	0%
				Cash and Cash equivalents:				
-	48,019	48,019	2%	All	-	48,886	48,886	3%
1,529,499	**393,908**	**1,923,407**	**100%**	**Totals**	**1,443,317**	**404,510**	**1,847,827**	**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 measured 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:

2018-19			2019-20	
Local Government Pension Scheme	**Fire-Fighters Pension Scheme**		**Local Government Pension Scheme**	**Fire-Fighters Pension Scheme**
		Mortality assumptions:		
		Longevity at 65 (60 for fire-fighters' scheme) for current pensioners:		
22.1	27.3	- Men	21.7	26.4
24.4	29.4	- Women	23.9	28.5
		Longevity at 65 (60 for fire-fighters' scheme) for future pensioners:		
24.1	28.4	- Men	22.8	27.5
26.4	30.6	- Women	25.5	29.7
	3.4%	Rate of inflation		2.8%
2.8%	3.4%	Rate of increase in salaries	2.6%	2.8%
2.5%	2.4%	Rate of increase in pensions	1.9%	1.9%
2.4%	2.7%	Rate for discounting scheme liabilities	2.3%	2.3%

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 stay 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>

	2019-20	
Change in assumptions	**Approximate % increase to employer liability**	**Approximate monetary amount**
		£000s
0.5% decrease in real discount rate	10%	251,164
0.5% increase in the salary increase rate	1%	22,480
0.5% increase in the pension increase rate	9%	226,661

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 £79.105m - £131.842m).

Fire-Fighters Pension Scheme

	2019-20	
Change in assumptions	**Approximate % increase to employer liability**	**Approximate monetary amount**
		£000s
0.5% decrease in real discount rate	10%	32,033
1 year increase in member life expectancy	3%	9,904
0.5% increase in the salary increase rate	1%	3,749
0.5% increase in the pension increase rate	8%	25,264

Impact on the Council's cash flows

The aims 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 checked on an annual basis. The last valuation took place as at 31 March 2019.

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 offer 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 set up new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council predicts to account for £53.262m employer contributions to the scheme in 2020-21.

The weighted average duration of the defined benefit obligation for scheme members is 20.0 years.

34. 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 because of changes in such measures as interest rates movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and looks to minimise potential adverse effects on the resources available to fund services.

Risk management is undertaken out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council specifies 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 2019-20 and the Capital Strategy and Programme 2019-20 as approved by full Council on 11 February 2019, available on the Council's website. The debt recovery policy and framework are 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. The council uses the following when determining whether the credit risk of financial instruments has increased significantly since first 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 checked to ensure prompt receipts of principal and interest, to show delays which might be a sign of liquidity problems.

The Council does not generally allow extended credit for customers for goods and services. The Council introduces a legal charge on property where, for instance, clients need the help of Social Services but cannot afford to pay straightaway. The total collateral at 31 March 2020 was £2.173m.

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, suitable credit reference metrics are used to calculate expected credit loss on a case by case basis. If there are any specific factors showing 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, 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

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

31 March 2019		31 March 2020
£000s		£000s
6,550	Opening Balance at 1 April	6,364
2,369	New financial assets originated or bought	1,430
(1,119)	Financial assets that have been derecognised	(2,280)
(1,436)	Other Changes	(872)
6,364	**Balance as at 31 March**	**4,642**

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 2020:

	2019-20	
	Credit Risk Rating (as used by the Council)	Gross Carrying Amount £000s
12-month expected credit losses	AAA	68,568
	AA	-
	A	63,838
	Not Rated	25,103
Simplified approach	Not Rated	91,075

Liquidity Risk

The Council has a comprehensive cash flow management system that looks 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 considerable 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 2019-20 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:

31 March 2019			31 March 2020
£000s	**Maturity Structure**	**Upper Limit**	£000s
13,689	Less than one year	15%	13,802
5,025	Between one and two years	15%	2,500
31,526	Between two and five years	45%	49,750
98,650	Between five and ten years	75%	84,400
485,550	More than ten years	100%	564,768
634,440	**Total**		**715,220**

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 shown at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not change 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 are included in 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 several 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 supplies maximum limits for fixed and variable interest rate exposure. The central treasury team will check market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	1,500
Impact on surplus or deficit on the Provision of Services	1,500
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)	216,338

The impact of a 1% fall in interest rates would be as above but with the movements 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 seven wholly owned companies (including the Norse Group), two other controlled companies 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.

35. Foundation Schools

The Schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools supported 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 the balance sheet. Fixed assets and long-term liabilities are entrusted to the Governing Bodies of individual Foundation Schools and are not included in the balance sheet.

During 2019-20 no schools changed to or from Foundation status, giving a total in this authority area of 28 Foundation Schools (28 in 2018-19).

36. 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, following the Code, are excluded from the County Council's balance sheet.

31 March 2019		31 March 2020
£000s		**£000s**
13,015	Norfolk Pension Fund	9,349
1,389	Norse Care Ltd	3,198
1,543	Independence Matters CIC	2,264
15,947	**Total**	**14,811**

37. Trust Funds

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

Supporting the Cash Flow Statement

38. Cash Flows from Operating Activities

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

2018-19		2019-20
£000s		£000s
(55,555)	Depreciation	(56,899)
(13,871)	Impairment and downward valuations	(13,826)
(5,591)	(Increase)/decrease in creditors	(8,299)
48,169	Increase/(decrease) in debtors	(15,424)
(75,849)	Movement in Pension Liability	(74,076)
(68,783)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(39,168)
(58)	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,513)
(171,538)		**(213,205)**

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

2018-19		2019-20
£000s		£000s
(2,538)	Interest received	(3,661)
30,319	Interest paid	33,466
(1,350)	Dividends received	(1,280)

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

2018-19		2019-20
£000s		£000s
112,410	Capital grants credited to the deficit on the provision of services	117,427
5,891	Proceeds from the sale of property, plant and equipment	4,880
(37,000)	Proceeds from short term investments (not considered to be cash equivalents) and long-term investments	561
81,301		**122,868**

39. Cash Flows from Investing Activities

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

2018-19		2019-20
£000s		£000s
126,198	Purchase of property, plant and equipment, investment property and intangible assets	130,555
0	Purchase of short-term and long-term investments	53,990
4,468	Other payments for investing activities	4,968
(5,058)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,713)
0	Proceed from short-term and long-term investments	(1,797)
(123,392)	Other receipts from investing activities	(114,764)
2,216	**Net cash flows from investing activities**	**67,239**

40. Cash Flows from Financing Activities

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

2018-19		2019-20
£000s		£000s
(100,000)	Cash receipts of short-term and long-term borrowing	(87,100)
3,887	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,603
7,895	Repayments of short-term and long-term borrowing	6,870
(88,218)	**Net cash flows from financing activities**	**(78,627)**

Reconciliation of Liabilities Arising from Financing Activities

2019-20	**Balance as at 1 April**	**Financing Cash Flows**	**Non-Cash Changes**	**Balance as at 31 March**
	£000s	**£000s**	**£000s**	**£000s**
Long term borrowings	(620,751)	(87,074)	6,407	(701,418)
Short term borrowings	(13,689)	6,844	(6,957)	(13,802)
Lease liabilities	(1,414)	542	0	(872)
On balance sheet PFI liabilities	(50,271)	1,061	0	(49,210)
Total liabilities from financing activities	**(686,125)**	**(78,627)**	**(550)**	**(765,302)**

2018-19	**Balance as at 1 April**	**Financing Cash Flows**	**Non-Cash Changes**	**Balance as at 31 March**
	£000s	**£000s**	**£000s**	**£000s**
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

41. Accounting Policies

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The Council must prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which need to be prepared following proper accounting practices. These practices primarily form the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, changed 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) Recognition of Income and Expenditure

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

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services transfer to the service recipient following the performance obligations in the contract. Any performance obligations not satisfied will remain on the balance sheet as either a Contract Asset or Contract Liability.

Government grants and third-party contributions are recognised when there is reasonable assurance that the Council will fulfil the conditions attached to the payments, and the grants or contributions will be received. If the conditions have not been satisfied, the grants or contributions are shown in the Balance Sheet as creditors. When conditions are fully satisfied, the grant or contribution is credited to the relevant service line 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. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been used to fund capital expenditure.

Supplies are recorded as expenditure when they are used. Where there is a gap between the date supplies are received and their consumption, they are shown 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 based on 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) 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 expected 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.

v) Employee Benefits

<u>Benefits payable during employment</u>

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave, bonuses and non-monetary benefits (e.g. cars) are recognised as an expense for services in the year in which employees give service to the Council.

<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.

<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 the schemes offer 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.

The Local Government Pension Scheme

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 including mortality rates, employee turnover rates, and projected earnings.
- The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

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

- Service Cost including:
  - Current service cost – the increase in liabilities because of years of service earned this year – distributed in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities because 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 – considering any changes in the net defined benefit liability during the period because 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 expect 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 expected to account for retirement benefits based on 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 run 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 the same as for the Local Government Pension Scheme above.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits for early retirements. Any liabilities estimated to arise because of an award to any member of staff (including teachers and injury awards to Fire-Fighters) are added 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.

vi) 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 beneficial 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, if market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council considers 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 suitable in the circumstances and for which enough 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 shown 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.

vii) 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 outstanding 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 expected 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 then 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 expects 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 believed 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 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 still is low, losses are assessed based on 12-month expected losses. 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.

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

The council holds several equity instruments for which it has elected to measure 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 following 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.

viii) 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. Heritage Assets obtained before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost-effective basis.

Heritage Assets will be recognised, measured, revalued, impaired and disposed of following 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 suitable.

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

ix) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council because of past events (e.g. 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 possible 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 a sign 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 allowed 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 revenues greater than £10,000) the Capital Receipts Reserve.

x) 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.

xi) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xii) 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 help the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and then 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 allowed 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 revenues greater than £10,000) the Capital Receipts Reserve.

xiii) 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.

xiv) 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.

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 start (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.

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).

Operating Leases

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

The 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 and replaced by a lease (long-term debtor) asset in the Balance Sheet. The long-term debtor is valued on the future income due under the finance lease.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is kept in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement 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).

xv) Overheads and Support Services

Central departments work within predetermined budgets and generally their costs are not distributed to departments.

xvi) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, if 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 supports 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, including:

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

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

The cost of assets obtained other than by purchase is its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the 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.

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 found, 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 holds revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been included in the Capital Adjustment Account.

Componentisation

Where an asset has a part with a significant cost in relation to the overall asset and a different useful life, the Council is expected under the Code to recognise the part 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 part of an asset, the original part is derecognised to ensure that the Council does not overstate its assets.

The de-minimis level for componentising assets is £1.7m on the gross book value of buildings only.

Impairment

Assets are assessed at each year-end as to whether there is any sign 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.

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation 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 recommended by a suitably qualified officer
- infrastructure – straight-line allocation over 20 to 40 years.

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

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

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued directly before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a later 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal more than £10,000 are categorised as capital receipts. Receipts must 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.

xvii) 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 deliver 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 Council was involved in three PFI schemes throughout 2019-20 – Norwich Schools, Salt Barns and Street Lighting. The Salt Barns contract came an end in April 2020, when the assets transferring to 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.

xviii) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably needs 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 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 needed to settle the obligation, considering 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 needed (or a lower settlement than expected is made), the provision is reversed and credited back to the relevant service.

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

xix) 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 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.

xx) 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.

xxi) 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 believed to be outside of the Council's control and therefore remain off Balance Sheet.

xxii) 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.

42. Accounting Standards issued, not adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code), the Council must disclose information setting out the impact of an accounting change needed by a new accounting standard that has been issued but not yet adopted by the Code.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- The IASB issued Annual Improvements to IFRS Standards 2015–2017 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.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. IAS 19 Employee Benefits specifies that, from 1 April 2020, if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are

determined using the assumptions used for the remeasurement. Given the variables involved, it is not possible to estimate the accounting impact of this change.

- The implementation of IFRS16 will have a significant impact on the way in which leased assets are accounted for. This will 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 2021. The Norse Group have adopted IFRS16, resulting in £10.350m of operating lease liabilities at the 31 March 2019 being reclassified as finance leases. These are reflected in the Group Accounts at 31 March 2020 along with a corresponding finance liability of £12.116m. The Council has taken the decision to depart from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. The information required to reverse the impact of IFRS16 in the 2020/21 accounts will not be available from Norse and as the newly recognised assets in the balance sheet are less than 0.7% it is considered the non-adjustment will not materially impact the users understanding of the accounts. From 1 April 2021 the Council's accounts and group accounts will converge as both will be subject to IFRS16.

43. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 41, 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, particularly given the uncertainty of how the Council's response to the COVID-19 pandemic will be funded. However, the Council has determined that this uncertainty is not sufficiently clear to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision. This position will be clarified during 2020/21 and reflected in the Council's financial statements ending 31 March 2021.
- The Dedicated Schools Grant Reserve is a negative reserve. The Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2020) make clear the requirement for any DSG deficit balance to be held within the Council's overall DSG, meaning authorities cannot fund a deficit from the general fund without the Secretary of State's approval. The accumulated DSG deficit is disclosed as an earmarked usable reserve within the accounts.
- The Council is considered to control the services provided under the three operational PFI agreements (Norwich Schools, Salt Barns and Street Lighting) and 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 £41.2m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

The preparation of financial statements needs 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
Pensions Liability	Estimation of the net liability to pay pensions depends on several 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 £251.164m. However, the assumptions interact in complex ways. During 2019-20, the Council's actuaries notified that the net pension liability had decreased by £272.180m.
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 £2.6m for every year that useful lives had to be reduced.
Property Valuation	The value of Land and Buildings, Surplus & Investment properties is assessed by the Council's external valuers on a 5 year cycle, with annual reviews to check that values are not materially mis-stated. As a result of COVID-19, valuations totalling £605m are subject to 'material valuation uncertainty' as per the RICS Red Book Global.	A reduction in the value of these properties will result in a reduction in the Revaluation Reserve and / or a loss in the Comprehensive Income and Expenditure Statement. For example if, as a result of the COVID-19 pandemic, it is established that the value of the Council's properties has reduced by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £19m, with a reduction in Revaluation Reserve of £40m. An increase of 10% would result in a credit to the Comprehensive Income and Expenditure Statement of approximately £11m, with an increase in Revaluation Reserve of £49m. As any change in value and/or expected asset lives would have occurred at the end of the financial year, there is not likely to be a material impact on depreciation charges

Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. 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 needed in determining 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 find the most suitable 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 20 and 21.	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 about 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.

45. Related Party Transactions

The Council must show 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 function independently or might have secured the ability to limit another party’s ability to bargain freely with the Council. These include:

<u>Central Government</u>

Central Government has considerable influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council functions, provides most 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 8 and 9. Grant receipts not yet recognised due to conditions attached to them at 31 March 2020 are included in current liabilities and are shown in note 25.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2019-20 is shown in note 12. 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 £1.104m (£1.274m in 2018-19) of funding to several charities for which several 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 11.

(iii) As part of the day-to-day activities of the Council, joint committees are set up with other organisations including district councils and health bodies. The accounts include all of the Council's revenue transactions, assets and liabilities relating to the joint committees.

(iv) 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. Further information on ESPO can be found in their own Statement of Accounts.

Pension Fund

During the financial year, the pension fund had an average daily balance of £14.065m of surplus cash deposited with the Council (£11.342m in 2018-19). The Council paid the fund a total for interest of £0.102m on these deposits (£0.073m in 2018-19). The Council charged the fund £0.007m (£0.007m in 2018-19) for expenses incurred in administering these balances.

Companies and Joint Ventures

The Council has eight 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 2019-20. During the year the total values of payments made to and received from Norse Group Ltd, were £79.593m and £3.405m respectively (£86.153m and £3.559m respectively in 2018-19).

Independence Matters is a Community Interest Company. The total value of payments made to and received from Independence Matters were £20.288m and £0.158m respectively (£15.430m and £0.034m respectively in 2018-19).

Hethel Innovations Ltd (HIL), Repton Property Developments Ltd and Norfolk Safety CIC are all 100% owned by the Council and were active throughout 2019-20. NCC HH Limited and NCC Nurseries Limited started trading in 2019-20, as did LCIF2 Limited (jointly owned with UEA).

All of these companies have Council member or officer representation on their boards of directors. The Council has supplied short term working capital and long-term capital loans to its subsidiaries at suitable rates of interest and repayable on terms relating to the nature or the loan and the expected life of underlying assets.

Further detail are included in the Group Accounts on page 105.

46. Contingent Liabilities

Financial Guarantees

The Council applies for funding from several diverse sources. In some cases, the funding agreement includes a clause needing the Council to supply a financial guarantee to secure the funding. The guarantees given are not specific and generally relate to agreements to supply 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 keep 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 given 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 every five years. At the time of the most recent valuation (December 2019), attributable pension fund assets exceeded liabilities. The value of collateral property exceeded the total indemnity required by several multiples, and also exceed the gross scheme liabilities plus indemnity required and therefore is considered adequate to meet any obligation that may arise for the Fund.

47. Going Concern

Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The Corona virus restrictions across the UK, have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as some paid-for services were not able to operate. The government has provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has secured £70.4m in this regard.

Our most recent year-end balances, as reported in these statements are as follows.

Date	General Fund	Earmarked reserves
31 March 2020	£19.706m	£89.402m

We have carried out an assessment of the impact of COVID-19 on our future finances and we are satisfied that there is no material uncertainty relating to the Council’s going concern. Through our assessment we have identified that we expect in 2020-21:

Reductions in revenue relating to:

1. Adult Social Care – services not supplied £3.0m
2. Children’s Services – trading with schools and transport income £2.2m

3. Community and Environmental Services – highways £4.3m
4. Community and Environmental Services – museums, libraries and other sales, fees and charges £3.0m
5. Finance, Commercial Services, Strategy and Governance £1.0m.

Additional costs relating to COVID-19 have been estimated at £65.8m. The majority of additional costs are in Adult Social Services, including £10m in provider support payments, £6m care market cost pressures, reduced ability to deliver planned savings £10.7m and temporary postponed charging policy implementation £3m. Other cost pressures are forecast throughout the Council, including Corporate procurement of PPE (personal protective equipment) expected to cost £3m.

The result of the above is an overall COVID-19 related cost pressure of £79.3m. To date, grant income of £70.4m has been secured from central government, resulting in a total forecast shortfall against grant funding of £8.9m. Senior management has identified potential underspends resulting in a forecast overspend of £5.3m in 2020-21, subject to further mitigating actions and additional grant funding.

The forecasts outlined above have been based on local assumptions regarding lockdown pressures. Additional costs may become apparent, for example as services continue to be restored. However, the government is maintaining a dialogue with local authorities, and the Council expects to receive additional grant funding to partly off-set additional costs, and to cover a proportion of lost income in the remainder of the financial year.

Therefore, despite currently showing a forecast overspend of £5.3m, we do not expect to end the year with a material overspend. We expect management actions to reduce costs, along with additional grant funding to significantly reduce the current year overspend. Any deficit will be funded from earmarked reserves, and the General Fund balance will be maintained above its minimum balance.

A particular area of risk continues to relate to Business Rates and Council Tax income. No change is anticipated in 2020-21 as any impact from a reduction in the collection funds will take effect in 2021-22.

The Government has announced that the planned Fair Funding Review has been delayed, so we are assuming a flat rate of Government settlement for 2021-22. Medium Term Financial Strategy planning has been based on addressing a budget deficit 2020-21 of £38.992m million which was identified in February 2020. Since then further pressures and savings options have been identified and reported to members as part of the budget setting process. Service departments have been challenged to identify savings to bridge that gap. Some reserves use is anticipated but we are anticipating that the general fund balance will be fully maintained. The latest position in the development of the 2021-22 budget was reported to Cabinet on 5 October 2020.

<u>COVID-19 Pandemic</u>

The World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020 and on 23 March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were ‘furloughed’ on 80% of their existing salary paid by central government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did exist at the 31 March 2020, this is potentially an adjusting event, for which a estimate of its financial effect on the reporting entity can be made as at 31 March 2020, particularly with regards to financial impact for 2019-20 in terms of Property Plant and Equipment valuations and impairments (addressed in Note 44 Assumptions made about the future and Other Major Sources of Estimation Uncertainty), the provision for impairment on receivables and Pension liability valuations as at the balance sheet date.

Expenditure incurred on additional service provision, or reduced Income from services or investments pertaining to 2020-21 will be accounted for within the 2020-21 financial statements in accordance with our accounting policies and accepted accounting practice.

48. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director of Finance and Commercial Services on 15 October 2020. Events that occur after this date are not reflected in the financial statements or notes. Where events taking place before this date supplied information about conditions existing at 31 March 2020, 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 2020 and 15 October 2020 3 schools, listed below, with a net book value of £7.209m converted to academy or VA status.

Bluebell Primary School

Southtown Primary School

Worstead Primary 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 2020-21 and will be treated as a disposal at nil consideration in the 2020-21 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.

The Council's Annual Investment and Treasury Strategy for 2020-21, approved by full Council at its meeting on 17 February 2020 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 34, 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 33.

Norfolk Fire-Fighters Pension Fund Accounts

This section summarises the accounts of the Fire-Fighters' Pension Fund for the year ending 31 March 2020. 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 86, 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 2020

2018-19		2019-20
£000s		**£000s**
	Contributions receivable	
	County Council	
(1,841)	- Contributions in relation to pensionable pay	(3,646)
	- Early retirements	
(158)	- Other (ill health charge from NCC)	(159)
(1,560)	Fire-Fighters' contributions	(1,607)
(3,559)		**(5,412)**
(15)	Transfers in from other authorities	(1)
(3,574)		**(5,413)**
	Benefits payable	
7,219	Pensions	7,632
1,500	Commutations and lump sums	2,398
8,719		**10,030**
5,145	Net amount payable for the year	4,618
(5,145)	Top up grant payable by Government	(4,618)
0		**0**

Fire-Fighters Pension Fund Net Assets Statement

31 March 2019		31 March 2020
£000s		**£000s**
1,381	Top up (payable to) / receivable from Government	1,405
(1,381)	Amount owing (to) / from General Fund	(1,405)
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 run 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 most active members paying into this scheme. The employer contribution rate has been set at 28.8% of Fire Officers pensionable pay. The rate is 37.3% for the old scheme and 27.4% 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 37.3% of Fire Officers pensionable pay, the same as if they were under the 1992 scheme.

Payments are made under all schemes until 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 must 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 33 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 supports 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 has the responsibility for, and continues to administer and pay, fire officer pensions following 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 several 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 several 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 material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts include 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.

Following this requirement, the Council has determined its Group relationships as follows:

Norse Group Ltd	Subsidiary	Consolidated
Independence Matters CIC	Subsidiary	Consolidated
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Safety CIC	Subsidiary	Not material
Repton Property Developments Ltd	Subsidiary	Not material
NCC HH Ltd	Subsidiary	Ceased Trading
NCC Nurseries Ltd	Subsidiary	Not material
LCIF2 Limited	Subsidiary	Not material
Norfolk Energy Futures Ltd	Subsidiary	Dissolved
Great Yarmouth Development Company Ltd	Subsidiary	Ceased Trading
NPLaw Limited (formerly Public Law East Ltd)	Subsidiary	Dormant
Educator Solutions Ltd	Subsidiary	Dormant
Legislator companies	No group relationship	Not consolidated

Subsidiaries

<u>Norse Group Ltd</u>

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 includes 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 21 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 supplied several 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 total balance outstanding on all Norse Group capital loans at 31 March 2020 was £22.4m.

The company's accounting period for 2019-20 is from 1 April 2019 to 31 March 2020. Copies of the final accounts of the company for the period ended 31 March 2020 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 2020 are shown in the table below.

2018-19		2019-20
£000s		**£000s**
64,903	Current Assets	72,565
118,397	Non-current assets	134,926
(59,642)	Current Liabilities	(72,340)
(107,706)	Non-current liabilities.	(108,774)
15,952	**Net Assets for the accounting period**	**26,377**
306,777	Revenue	338,613
13,442	Profit or loss from continuing operations	7,332
8,317	Profit/(Loss) for the accounting period (after Tax)	4,032
(10,529)	Other comprehensive (expense) / income	2,332
(2,212)	**Total comprehensive (expense) / income**	**6,364**
	Extent of non-controlling interests:	
(2,476)	Non-controlling equity interest	(463)
(1,556)	Non-controlling interest in the Profit/(Loss) for the accounting period before intra-group eliminations	569

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

Independence Matters CIC

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. From 10 December 2018, Home Support Matters, a Social Enterprise wholly owned by Independence Matters CIC undertook the continuity of care for all former customers of Allied Healthcare.

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.

During 2019-20, over 90% of the company's turnover of £19.409m 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.

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 runs 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 runs in partnership with Norfolk Fire and Rescue Service, and supplies 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 set up to develop the Council's surplus properties and other suitable land.

NCC Nurseries Limited

NCC Nurseries Limited, incorporated on 27 November 2019, was established to replace the Norfolk nursery places which were lost as a result of the Great Yarmouth Community Trust going into liquidation 10 December 2019.

NCC HH Limited

NCC HH Limited, incorporated on 27 November 2019, was established to continue the provision of education at Horatio House Independent School which was under threat as a result of the Great Yarmouth Community Trust going into liquidation 10 December 2019. NCC HH Limited ceased actively trading on 31 August 2020.

LCIF2 Limited

LCIF2 Limited was incorporated on 29 August 2019 and is jointly owned with the University of East Anglia. The company is limited by guarantee and has been established to manage the Low Carbon Innovation Fund, providing finance to a number of early and growth stage businesses in a variety of sectors.

Norfolk Energy Futures Ltd (NEFL)

NEFL ceased actively trading in 2017 when the company's assets were transferred to the County Council. The company was dissolved on 29 September 2020.

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 being closed.

NPLaw Limited (formerly Public Law East Limited)

NPLaw 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.

Relationships with Other Entities

Legislator companies

A 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 in 2004. The County Council holds 60% of Legislator 1656 with the City Council holding the remaining 40%. Further details are included in the note on Financial Instruments on page 53.

The accounts for 2019-20 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, following the Code.

Group Comprehensive Income and Expenditure Statement

2018-19				2019-20		
Gross Expenditure £000s	**Gross Income £000s**	**Net Expenditure £000s**		**Gross Expenditure £000s**	**Gross Income £000s**	**Net Expenditure £000s**
446,874	149,718	297,156	Adult Social Services	480,542	160,239	320,303
615,792	391,221	224,571	Children's Services	628,722	363,585	265,137
341,143	164,865	176,278	Community and Environmental Services	358,933	185,432	173,501
16,210	5,103	11,107	Strategy and Governance Services	16,817	5,486	11,331
54,723	19,552	35,171	Finance and Commercial Services	67,746	25,934	41,812
14,082	8,846	5,236	Finance General	23,428	5,217	18,211
115,934	119,608	(3,674)	Other Services	117,564	120,707	(3,143)
5,943	0	5,943	Non-Distributed Costs	(21,148)	0	(21,148)
0	0	0	Exceptional Items	0	0	0
0	846	(846)	Other Operating Income	0	1,309	(1,309)
1,610,701	**859,759**	**750,942**	**Cost of Services**	**1,672,604**	**867,909**	**804,695**
		64,642	Other Operating Expenditure			35,355
		61,570	Financing and Investment Income and Expenditure (Note 1)			65,603
		(765,954)	Taxation and Non-Specific Grant Income			(817,230)
		111,200	**(Surplus) / Deficit on Provision of Services**			**88,423**
		5	Share of (surplus) or deficit of associates			40
		515	Tax Expenses (Note 2)			613
		111,720	**Group (Surplus) / Deficit**			**89,076**
		(22,287)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(25,024)
		179,480	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(383,888)
		157,193	**Other Comprehensive Income and Expenditure**			**(408,912)**
		268,913	**Total Comprehensive Income and Expenditure**			**(319,836)**
		(1,480)	Comprehensive Income and Expenditure attributable to Non-Controlling Interests in Subsidiaries			2,013

Group Movement in Reserves Statement

	Council's Usable Reserves £000s	Subsidiary Usable Reserves (Note 10) £000s	Total Group Usable Reserves £000s	Council's Unusable Reserves £000s	Subsidiary Unusable Reserves (Note 10) £000s	Total Group Unusable Reserves £000s	Total Group Reserves £000s
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)**
Movement in Reserves during 2019-20							
Total Comprehensive Expenditure and Income	(16,635)	(72,122)	**(88,757)**	406,580	0	**406,580**	**317,823**
Adjustments between Group Accounts and Council Accounts**	(80,934)	80,934	**0**	0	0	**0**	**0**
Net increase or decrease before transfers	(97,569)	8,812	**(88,757)**	406,580	0	**406,580**	**317,823**
Adjustments between accounting basis & funding basis under regulations	112,109	0	**112,109**	(112,109)	0	**(112,109)**	**0**
Increase / (Decrease) in Year	14,540	8,812	**23,352**	294,471	0	**294,471**	**317,823**
Balance at 31 March 2020	**193,360**	**3,029**	**196,389**	**(201,942)**	**16,667**	**(185,275)**	**11,114**
Minority Interest share of subsidiary reserves	0	0	**0**	0	(463)	**(463)**	**(463)**
Balance at 31 March 2020	**193,360**	**3,029**	**196,389**	**(201,942)**	**16,204**	**(185,738)**	**10,651**

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

Group Balance Sheet

31 March 2019			31 March 2020
£000s		**Group Note**	**£000s**
1,727,850	Property, Plant & Equipment	3	1,768,188
7,169	Heritage Assets		13,294
21,192	Investment Property		22,100
7,412	Intangible Assets	4	6,625
2,439	Long Term Investments		6,471
75	Investments in Associates and Joint Ventures		131
65,082	Long Term Debtors	7	63,923
6,599	Deferred Tax Asset		7,541
1,837,818	**Long Term Assets**		**1,888,273**
30,183	Short Term Investments		85,103
3,658	Inventories	5	3,148
212,011	Short Term Debtors	7	207,165
77,825	Cash and Cash Equivalents	8	80,800
1,336	Assets Held for Sale		4,300
325,013	**Current Assets**		**380,516**
(20,994)	Short Term Borrowing		(21,936)
(3,634)	Other Short-Term Liabilities		(8,230)
(194,868)	Short Term Creditors	9	(211,371)
(6,762)	Provisions		(8,677)
0	Current tax liability		(657)
(226,258)	**Current Liabilities**		**(250,871)**
(16,274)	Long Term Creditors	9	(15,905)
(19,262)	Provisions		(22,664)
(640,399)	Long Term Borrowing		(713,187)
(1,529,768)	Other Long-Term Liabilities		(1,227,233)
(40,055)	Capital Grants Receipts in Advance		(28,278)
(2,245,758)	**Long Term Liabilities**		**(2,007,267)**
(309,185)	**Net Assets**		**10,651**
173,037	Usable Reserves	10	196,389
(482,222)	Unusable Reserves	10	(185,738)
(309,185)	**Total Reserves**		**10,651**

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Group Cash Flow Statement

31 March 2019		31 March 2020
£000s		**£000s**
111,200	Net (surplus) or deficit on the provision of services	88,423
(167,979)	Adjust net (surplus) or deficit on the provision of services for non-cash movements	(219,471)
80,998	Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	122,465
24,219	**Net cash flows from Operating Activities (note 13)**	**(8,583)**
4,477	Investing Activities (note 14)	85,309
(83,832)	Financing Activities (note 15)	(79,701)
(55,136)	**Net (increase) or decrease in cash and cash equivalents**	**(2,975)**
22,689	Cash and cash equivalents at the start of the year	77,825
77,825	Cash and cash equivalents at the end of the year (note 8)	80,800

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Supporting the Comprehensive Income and Expenditure Statement

1. 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:

2018-19		2019-20
£000s		**£000s**
1,570	Interest payable and similar charges	1,832
1,075	Net interest cost and on the net defined benefit liability	991
(221)	Interest receivable and similar income	(128)
2,424	**Total for Norse Group Ltd and Independence Matters**	**2,695**

2. Tax Expenses of Group Entities

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

2018-19		2019-20
£000s		**£000s**
	Current Tax:	
693	Tax in respect of the current year	1,671
322	Adjustments in respect of prior years	385
	Deferred Tax:	
1,437	Retirement benefit obligations	387
(2,156)	Deferred tax on actuarial loss/(gain) for the year	0
219	Origination and reversal of timing differences	(554)
0	Adjustments in respect of prior years	(1,274)
0	Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	(2)
515	**Total Taxation Expenses**	**613**

Supporting the Balance Sheet

3. Property, Plant and Equipment

2019-20	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Assets under construction £000s	Surplus assets £000s	**Total Property, Plant and Equipment £000s**
Cost or Valuation						
At 1 April 2019	766,426	130,361	1,276,561	36,220	22,760	**2,232,328**
Additions	18,230	29,241	44,383	54,579	369	**146,802**
Revaluation increases/(decreases):						
- to Revaluation reserve	10,215	0	0	0	9,229	**19,444**
- to surplus or deficit on provision of services	(10,507)	0	0	0	4	**(10,503)**
Derecognition - disposals	(37,960)	(5,526)	0	0	(1)	**(43,487)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	(7,890)	**(7,890)**
Reclassifications and transfers	24,102	684	8,216	(34,711)	1,207	**(502)**
At 31 March 2020	**770,506**	**154,760**	**1,329,160**	**56,088**	**25,678**	**2,336,192**
Accumulated Depreciation and Impairment						
At 1 April 2019	115,558	61,510	315,012	0	12,398	**504,478**
Depreciation charge	17,928	15,451	34,134	0	56	**67,569**
Depreciation written out to Revaluation reserve	(3,106)	0	0	0	(38)	**(3,144)**
Depreciation written out on revaluation to surplus or deficit on provision of services	(3,017)	0	0	0	(30)	**(3,047)**
Impairment losses/(reversals) recognised in:						
- the Revaluation reserve	1,521	0	0	0	0	**1,521**
- the surplus or deficit on provision of services	6,881	1,100	0	0	369	**8,350**
Derecognition - disposals	(2,404)	(5,226)	0	0	0	**(7,630)**
Reclassifications and transfers	(35)	0	0	0	(58)	**(93)**
At 31 March 2020	**133,326**	**72,835**	**349,146**	**0**	**12,697**	**568,004**
Net Book Value:						
At 31 March 2020	**637,180**	**81,925**	**980,014**	**56,088**	**12,981**	**1,768,188**
At 31 March 2019	650,868	68,851	961,549	36,220	10,362	**1,727,850**

2018-19	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

Capital Commitments

The Norse Group Ltd has capital expenditure commitments of £1.517m as at 31 March 2020.

Details of the Council's capital commitments are shown in Note 18 to the Single Entity accounts.

4. Intangible Assets

The movement on the Group balances during the year:

2018-19				2019-20		
Other Intangible Assets £000s	**Goodwill £000s**	**Total £000s**		**Other Intangible Assets £000s**	**Goodwill £000s**	**Total £000s**
			Balance at the start of the year:			
6,437	4,397	10,834	Gross carrying amounts	6,372	4,397	10,769
(4,122)	0	(4,122)	Accumulated amortisation	(3,357)	0	(3,357)
2,315	**4,397**	**6,712**	**Net carrying amount at 1 April**	**3,015**	**4,397**	**7,412**
1,686	0	1,686	Additions (purchases)	186	0	186
(23)	0	(23)	Disposals	(19)	0	(19)
0	0	0	Impairment losses	0	0	0
(963)	0	(963)	Amortisation for the period	(954)	0	(954)
0	0	0	Other Changes	0	0	0
3,015	**4,397**	**7,412**	**Net carrying amount at 31 March**	**2,228**	**4,397**	**6,625**
			Comprising:			
6,372	4,397	10,769	Gross carrying amounts	6,534	4,397	10,931
(3,357)	0	(3,357)	Accumulated amortisation	(4,306)	0	(4,306)
3,015	**4,397**	**7,412**	**Total**	**2,228**	**4,397**	**6,625**

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.

5. Inventories

2018-19		2019-20
£000s		**£000s**
3,527	**Balance outstanding at start of year**	**3,658**
15,610	Purchases	31,731
(15,338)	Recognised as an expense in year	(31,949)
(141)	Amounts written off	(294)
3,658	**Balance outstanding at year end**	**3,146**

6. Financial Instruments

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

31 March 2019			31 March 2020	
Long Term £000s	**Short Term £000s**		**Long Term £000s**	**Short Term £000s**
		Investments:		
0	30,183	Amortised Cost	3,490	85,103
2,439	0	Fair Value through Other Comprehensive Income	2,981	0
2,439	**30,183**	**Total Financial Assets**	**6,471**	**85,103**
0	0	Non-financial assets	0	0
2,439	**30,183**	**Total Investments**	**6,471**	**85,103**
		Debtors:		
65,082	124,842	Amortised Cost	52,967	143,435
65,082	**124,842**	**Total Financial Assets**	**52,967**	**143,435**
0	87,169	Non-financial assets	10,956	63,730
65,082	**212,011**	**Total Debtors**	**63,923**	**207,165**
		Cash and Cash equivalents:		
0	77,825	Amortised Cost	0	80,800
0	**77,825**	**Total Financial Assets**	**0**	**80,800**
0	0	Non-financial assets	0	0
0	**77,825**	**Total Cash and cash equivalents**	**0**	**80,800**
		Borrowings:		
640,399	20,994	Amortised Cost	713,187	21,936
640,399	**20,994**	**Total Financial Liabilities**	**713,187**	**21,936**
0	0	Non-financial Liabilities	0	0
640,399	**20,994**	**Total Borrowings**	**713,187**	**21,936**
		Other short/long term liabilities:		
57,285	3,634	Amortised Cost	67,888	8,230
57,285	**3,634**	**Total Financial Liabilities**	**67,888**	**8,230**
1,472,483	0	Non-financial Liabilities	1,159,345	0
1,529,768	**3,634**	**Total Other Short/Long Term Liabilities**	**1,227,233**	**8,230**
		Creditors:		
16,274	159,335	Amortised Cost	708	138,160
16,274	**159,335**	**Total Financial Liabilities**	**708**	**138,160**
0	35,533	Non-financial Liabilities	15,197	73,211
16,274	**194,868**	**Total Creditors**	**15,905**	**211,371**

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 Investments are the Council's investments in two 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 choice 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 (4.16%). 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.

7. 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).

31 March 2019			31 March 2020	
Long Term £000s	**Short Term £000s**		**Long Term £000s**	**Short Term £000s**
15,509	145,945	Trade Debtors	3,289	172,788
0	3,708	Subsidiaries	0	3,708
49,573	8,283	Other receivables	60,634	11,521
0	54,075	Prepayments	0	19,148
65,082	**212,011**	**Group Total**	**63,923**	**207,165**

8. Cash and Cash Equivalents

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

2018-19		2019-20
£000s		**£000s**
(5,584)	Single Entity Cash and Bank balances	(16,599)
9,947	Subsidiary cash and bank balances	8,766
73,462	Short term deposits with the Money Market	88,633
77,825	**Total Group Cash and Cash Equivalents**	**80,800**

9. Creditors

The table shows details of creditors included in current liabilities on the balance sheet. The long-term creditor total in the balance sheet includes £4.241m deferred grant income towards three capital projects in the Norse accounts.

2018-19		2019-20
£000s		**£000s**
128,890	Trade creditors	131,402
59,982	Other payables	64,942
5,996	Receipts in advance	15,027
194,868	**Total Group Short Term Creditors**	**211,371**

10. Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 111. 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	**(5,783)**	**16,200**	**467**	**16,667**	**(2,476)**
Profit/(Loss) for the year	7,129	0	0	0	2,013
Actuarial loss in respect of defined benefit pension schemes	1,314	0	0	0	0
Deferred tax in respect of defined benefit pension schemes	369	0	0	0	0
Balance at 31 March	**3,029**	**16,200**	**467**	**16,667**	**(463)**

11. Leasing

In accordance with accounting standards, Norse Group Ltd adopted IFRS 16 Leasing on 1 April 2019. This has resulted in £10.350m of operating lease liabilities being reclassified as finance leases from that date, increasing the value of both lease liabilities and Property Plant and Equipment in this balance sheet. These leases are reflected in the group accounts at 31 March 2020 as finance liabilities of £12.116m. As this has not had a material impact on these group accounts, no adjustment has been made to reverse the impact of this change.

(i) Finance Leases

The Group total includes the Council's assets together with the vehicles, plant and equipment obtained under finance leases by the Council's subsidiary company Norse Group Ltd.

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

2018-19		2019-20
£000s		£000s
9,166	Land and buildings	17,085
11,485	Vehicles, plant and equipment	22,099
2,856	Heritage Assets	2,911
23,507	**Group Total**	**42,095**

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

2018-19		2019-20
£000s		**£000s**
	Finance lease liabilities (net present value of minimum lease payments):	
2,786	Current	7,345
8,529	Non-current	22,134
(588)	Finance costs payable in future years	(2,533)
10,727	**Minimum lease payments**	**26,946**

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

31 March 2019			31 March 2020	
Minimum Lease Payments	**Finance Lease Liabilities**		**Minimum Lease Payments**	**Finance Lease Liabilities**
£000s	**£000s**		**£000s**	**£000s**
2,616	2,786	Not later than one year	6,680	7,345
6,995	7,367	Later than one year and not later than five years	15,673	17,094
1,116	1,162	Later than five years	4,593	5,040
10,727	**11,315**	**Group Total**	**26,946**	**29,479**

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

(ii) Operating Leases

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 2019-20 was £0.781m (£2.083m in 2018-19). The company also leases several properties on short term leases which have been accounted for as operating leases. The rentals payable in 2019-20 were £0.001m (£1.215m in 2018-19).

Details of the Council's leases are shown in Note 30 on page 65.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £3.284m (£6.273m in 2018-19).

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

2018-19		2019-20
£000s		**£000s**
5,103	Not later than one year	1,678
11,798	Later than one year and not later than five years	4,894
12,666	Later than five years	10,242
29,567	**Total**	**16,814**

12. Defined Benefit Pension Schemes

Norse Group Ltd is a participating employer in several 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 hold 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:

2018-19		2019-20
£000s		**£000s**
	Group Comprehensive Income and Expenditure Statement	
	Cost of Services:	
88,220	Current service cost	111,828
10,526	Past service costs/(gain)*	(2,401)
(18,345)	(Gain)/loss from settlements	(8,893)
	Financing and Investment Income and Expenditure:	
23,915	Net interest expense	27,034
104,316	**Total post employment benefit charged to the Surplus of Deficit on the Provision of Services**	**127,568**
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined pension liability including:	
(59,007)	Return on plan assets (excluding the amount included in the net interest expense)	121,578
0	Actuarial gains and losses arising on changes in demographic assumptions	(79,006)
243,924	Actuarial gains and losses arising on changes in financial assumptions	(247,672)
3,663	Other (if applicable)	(137,500)
292,896	**Total post employment benefit charged to the Group Comprehensive Income and Expenditure Statement**	**(215,032)**
	Movement in Reserves Statement:	
(104,316)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits following the Code	(127,568)
	Actual amount charged against Usable reserves for pensions for the year:	
60,914	Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	62,802

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:

2018-19		2019-20
£000s		£000s
(3,196,488)	Present value of the defined benefit obligation	(2,810,030)
2,090,105	Fair value of plan assets	1,981,485
(1,106,383)	**Net liability arising from defined benefit obligation**	**(828,545)**

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

2018-19		2019-20
£000s		£000s
2,893,852	**Balance at 1 April**	**3,196,488**
88,220	Current service cost	111,828
78,234	Interest cost	76,523
14,629	Contributions by scheme participants	15,362
	Remeasurement gains and losses:	
0	Actuarial gains and losses arising on changes in demographic assumptions	(79,006)
243,924	Actuarial gains and losses arising on changes in financial assumptions	(247,672)
3,663	Other (if applicable)	(137,500)
10,526	Past service costs/(gain)	(2,401)
(18,807)	Losses /(gains) on curtailments	(8,913)
(78,056)	Benefits paid	(84,909)
0	Change in policy in respect of Great Yarmouth Borough Services	(29,770)
(39,697)	Termination in respect of NPS North West Limited	0
3,196,488	**Balance at 31 March**	**2,810,030**

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

2018-19		2019-20
£000s		£000s
2,019,447	**Opening fair value of scheme assets**	**2,090,105**
54,319	Interest income	49,489
	Remeasurement (gain)/loss:	
59,007	The return on plan assets, excluding the amount included in the net interest expense	(121,578)
60,914	Employer contributions	62,802
14,629	Contributions by scheme participants	15,362
(78,056)	Benefits paid	(84,909)
(10,518)	Other (gain/loss from settlements)	(5,667)
0	Change in policy in respect of Great Yarmouth Borough Services	(24,119)
(29,637)	Termination in respect of NPS North West Limited	0
2,090,105	**Balance at 31 March**	**1,981,485**

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 33.

Supporting the Cash Flow Statement

13. Cash Flows from Operating Activities

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

2018-19		2019-20
£000s		**£000s**
(2,759)	Interest received	(3,789)
31,892	Interest paid	35,298
(1,350)	Dividends received	(1,280)
600	Dividends paid	0

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

2018-19		2019-20
£000s		**£000s**
(62,666)	Depreciation	(67,568)
(13,871)	Impairment and downward valuations	(15,807)
(13,425)	(Increase)/decrease in creditors	(13,921)
56,643	Increase/(decrease) in debtors	(5,274)
(67,398)	Movement in Pension Liability	(71,422)
(69,635)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(39,947)
2,373	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,532)
(167,979)		**(219,471)**

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

2018-19		2019-20
£000s		**£000s**
112,410	Capital grants credited to the deficit on the provision of services	117,427
(37,000)	Proceeds from short term (not considered to be cash equivalents) and long-term investments	1,862
6,946	Proceeds from the sale of property, plant and equipment	4,880
(1,358)	Other items for which the cash effects are investing or financing activities	(1,704)
80,998		**122,465**

14. Cash Flows from Investing Activities

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

2018-19		2019-20
£000s		£000s
129,726	Purchase of property, plant and equipment, investment property and intangible assets	150,046
0	Purchase of short term and long-term investments	53,990
4,468	Other payments for investing activities	4,968
(6,113)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,016)
0	Proceeds from short term and long-term investments	(1,808)
(123,604)	Other receipts from investing activities	(114,871)
4,477	**Net cash flows from investing activities**	**85,309**

15. Cash Flows from Financing Activities

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

2018-19		2019-20
£000s		£000s
(104,584)	Cash receipts of short term and long-term borrowing	(90,090)
(17)	Other receipts from financing activities	(13,540)
6,313	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	7,667
12,251	Repayments of short term and long-term borrowing	14,414
2,205	Other payments from financing activities	1,848
(83,832)	**Net cash flows from financing activities**	**(79,701)**

Reconciliation of Liabilities Arising from Financing Activities

2019-20	Balance as at 1 April £000s	Financing Cash Flows £000s	Non-Cash Changes £000s	Balance as at 31 March £000s
Long term borrowings	(640,399)	(87,074)	14,286	(713,187)
Short term borrowings	(20,994)	12,612	(13,554)	(21,936)
Lease liabilities	(10,648)	(6,300)	(9,960)	(26,908)
On balance sheet PFI liabilities	(50,271)	1,061	0	(49,210)
Total liabilities from financing activities	**(722,312)**	**(79,701)**	**(9,228)**	**(811,241)**

2018-19	Balance as at 1 April £000s	Financing Cash Flows £000s	Non-Cash Changes £000s	Balance as at 31 March £000s
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)**

Other Notes

16. 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 obtained 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 obtained, 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 (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

iii) Tax Expense

The tax expense is 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 can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse soon. 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 is 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 then 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 kept at the UK GAAP amounts subject to being tested for impairment at that date.

Norfolk Pension Fund Accounts

Introduction

This section provides details of the accounts of the Local Government Pension Fund for the year ending 31 March 2020.

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 2019-20 accounts to be considered at its meeting on 1 October 2020 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 2019-20 (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 financial statements will be added here once the audit is complete.

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Revenue and Fund Account

2018-19			2019-20
£000s		Note	£000s
	Dealings with members, employers and others directly involved in the Fund		
147,227	Contributions	7	150,694
14,336	Transfers in from other pension funds	8	12,103
161,563			**162,797**
(138,635)	Benefits	9	(144,311)
(6,949)	Payments to and on account of leavers	10	(6,491)
(145,584)			**(150,802)**
15,979	**Net additions/withdrawals from dealings with members**		**11,995**
(20,634)	Management expenses	11	(24,527)
(4,655)	**Net additions/withdrawals from dealings with members including Fund Management Expenses**		**(12,532)**
	Returns on investments		
68,738	Investment income	12	84,245
(507)	Taxes on income	13a)	(473)
142,246	Profit and losses on disposal of investments and changes in the market value of investments	14a)	(259,312)
210,477	**Net return on investments**		**(175,540)**
205,822	**Net increase/decrease in the net assets available for benefits during the year**		**(188,072)**
3,603,370	**Opening net assets of the scheme**		**3,809,192**
3,809,192	**Closing net assets of the scheme**		**3,621,120**

Net Assets Statement

2018-19			2019-20
£000s		**Note**	**£000s**
3,825,222	Investment assets	14	3,618,234
(2,989)	Investment liabilities	14	(13,181)
3,822,233	**Total Net Investments**		**3,605,053**
2,119	Long term Debtors	21	659
2,119	**Total Long Term Debtors**		**659**
16,232	Debtors	21	14,254
13,036	Cash in hand	21	9,374
29,268	**Total Current Assets**		**23,628**
(44,428)	Creditors	22	(8,220)
(44,428)	**Total Current Liabilities**		**(8,220)**
(15,160)	**Net Current Assets**		**15,408**
3,809,192	**Net Assets of the Fund available to fund benefits at the period end**		**3,621,120**

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.

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Appendix 1 - Participating Employers (Employers with active members during the year) 185

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 2019-20 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 414 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below: This is an increase of 14 employers since 31 March 2019.

31 March 2019		31 March 2020
400	Number of Employers with Active Members	414
	Full membership including employers with deferred and legacy pension commitments	
	Number of Employees in Scheme	
12,443	Norfolk County Council	12,605
16,624	Other Employers	16,712
29,067	**Total**	**29,317**
	Number of Pensioners	
13,052	Norfolk County Council	13,483
12,302	Other Employers	12,860
25,354	**Total**	**26,343**
	Deferred Pensioners	
20,130	Norfolk County Council	19,764
16,817	Other Employers	16,936
36,947	**Total**	**36,700**
91,368	**Total membership including employers with deferred and legacy pension commitments**	**92,360**

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. Action for Children (Thorpe)	1. Action for Children (Diss Children's Centre)
2. Alive Leisure Trust	2. Action for Children (Fakenham Children's Centre)
3. Alive Management Ltd	3. Action for Children (Nar & Terringtons Children's Centre)
4. Costessey Infant School	4. Alive West Norfolk Ltd
5. Downham & Stow Bardolph Internal Drainage Board	5. Capita (Breckland Contract)
6. Edwards & Blake (Caister Academy)	6. Change Grow Live
7. Engage Educational Services	7. Chartwell (Diocese of Norwich Education and Academies Trust)
8. Nar & Terringtons Children's Centre	8. Cromer Junior School
9. Norwich Airport Limited	9. East Ruston Infant School and Nursery
10. Rackheath Parish Council	10. Eastern Multi-Academy Trust
11. RM Education	11. Edwards & Blake (Fakenham Infant and Nursery School)
12. St Andrews Primary	
13. Trowse with Newton Parish Council	

14. Village Green Children’s Centre 15. Winterton-on-Sea Parish Council	12. Edwards & Blake (Fred Nicholson School) 13. Edwards & Blake (Cherry Tree Marham Infant Academy) 14. Evolution Academy Trust 15. Fakenham Infant & Nursery 16. Fakenham Junior School 17. Great Yarmouth Community Trust (Children’s Centre) 18. Hemsby Parish Council 19. Kinsale Junior School 20. Norse Eastern (Highways) 21. North Walsham High School 22. Northgate Primary School 23. Postwick with Witton Parish Council 24. Ringland Parish Council 25. Ringland Parish Council 26. Sacred Heart Catholic V A Primary 27. Sports & Leisure Management Ltd 28. St Martha’s Catholic Primary School 29. Stalham Infant School and Nursery 30. White House Farm Primary School

A full list of participating employers is shown on page 185.

c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2020, 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 2019-20 and 2020-21.

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 2019 triennial valuation set the rates payable by employers for the period 1 April 2020 to 31 March 2023. Excluding lump sum deficit recovery payments these rates range from 0% to 34.5% of actual pensionable pay.

2019-20		2020-21	
Actual Pensionable Pay	**Contribution rate per year**	**Actual Pensionable Pay**	**Contribution rate per year**
Up to £14,400	5.5%	Up to £14,600	5.5%
£14,401 to £22,500	5.8%	£14,601 to £22,800	5.8%
£22,501 to £36,500	6.5%	£22,801 to £37,100	6.5%
£36,501 to £46,200	6.8%	£37,101 to £46,900	6.8%
£46,201 to £64,600	8.5%	£46,901 to £65,600	8.5%
£64,601 to £91,500	9.9%	£65,601 to £93,000	9.9%
£91,501 to £107,700	10.5%	£93,001 to £109,500	10.5%
£107,701 to £161,500	11.4%	£109,501 to £164,200	11.4%
£161,501 or more	12.5%	£164,201 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 2020 is 1.7% (2.4% April 2019).

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 2019-20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 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.

The Funding Level as per the recent triennial valuation exercise was 99%. The estimated Funding Level as at 31 March 2020 was 90% which includes market falls and changes in liability measurement since 31 March 2019.

The actuarial assumption for long term investment return at the last triennial valuation was 4.2% per annum.

The investment returns for the quarter ended 30 June 2020 for each of the Funds Investment Strategies were:

Strategy 1	10.7%
Strategy 2	12.3%
Strategy 3	8.3%

The overall valuation of the Fund as at 30 June 2020 was £3.984 billion following reflecting these returns.

There are 414 active employers as at March 2020. The majority are public sector organisations. 50 (11%) of the active employers are admitted bodies, which comprise private contractors to public bodies, housing associations and a very small number of voluntary and charitable organisations. Many of these employers only pay contributions for 2 or 3 employees. These 11% of employers make up just 6% of the total employer pension contributions. In contrast the County, District and Borough councils comprise 2% of employers by number but contribute 55% of the total employer pension contributions.

All employers continue to pay their contributions as per the actuarial rates and adjustment certificate. No active employer has asked to defer their contribution payments during the period of the COVID-19 pandemic.

The Pension Fund has an allocation of 42% to public equities, 14% to liquid fixed income and holds around 2% of the Fund in cash. These are assets that can be liquidated quickly if required.

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
Janus Henderson Global Investors	Fixed Income
Pantheon	Infrastructure
M&G	Fixed Income

2018-19		2019-20
£000s		£000s
428	Performance-related fees	324

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.

2018-19		2019-20
£000s		**£000s**
3,429	Value of invoiced fees based on estimates	2,907

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 16b). 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 freehold property holding was valued as at 31 March 2020. The direct freehold 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 Utmost Life and Pensions (previously 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 2019-20 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 2020-21 code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The code requires implementation of the above disclosure from 1 April 2020. These changes are not considered to have a material effect on the Pension Fund accounts of 2019-20.

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.

q) COVID-19 Asset Value Adjustments

Since late February 2020 financial markets have been significantly impacted by the global COVID-19 pandemic and most asset classes have reduced in value. Where there is a mark to market valuation process or the investment manager has been able to supply a revised valuation at 31 March 2020, the investments held by the Pension Fund will reflect the reduced COVID-19 asset valuation. For the more complex/illiquid assets held by the fund, where the investment manager has not been able to provide a revised COVID-19 adjusted valuation the Fund has agreed a reduced valuation based on the following percentage reductions as follows:

- Pooled and Freehold Property 10.0%
- Private Equity (range) 10.0% to 23.1%
- M&G Debt Investment Opportunities III 15%
- Timberland 10%

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.

2018-19		2019-20
£000s		£000s
212,928	Value of unquoted private equity	222,058

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).

2018-19		2019-20
£000s		£000s
428,404	Value of Pooled Investment Vehicle – Property/Freehold Property	364,198

Infrastructure Equity Pooled Fund

Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using income or discounted cash flows.

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.

2018-19		2019-20
£000s		£000s
59,102	Value of Infrastructure Equity Pooled Fund	89,447

Timberland Equity Pooled Fund

Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.

2018-19		2019-20
£000s		£000s
0	Value of Timberland Equity Pooled Fund	20,821

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. For 2019-20 all assets classified as Level 3 in the fair value hierarchy have been subject to a review for the impact of the COVID-19 pandemic. For the more complex/illiquid assets held by the fund, where the investment manager has not been able to provide a revised COVID-19 adjusted valuation the Fund has agreed a reduced valuation based on the following percentage reductions as follows (see also Note 4 and Note 18):

Asset Class	Reduced Valuation %	Reduced Valuation £000	Final Reported Value £000
Pooled and Freehold Property	10.0	40,345	363,108
Private Equity	10.0 to 23.1	39,300	222,058
M&G Debt Investment Opportunities III	15.0	4,397	24,917
Timberland	10.0	2,313	20,821

As part of this exercise the Fund has also considered all valuations as at 31 March 2020 and subsequent post balance sheet valuations have been part of the review.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (measured under IAS26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are	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>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td></td><td>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><table>
<tr><th>Sensitivity to the assumptions for the year ended 31 March 2020</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>9%</td><td>£483m</td></tr>
<tr><td>0.5% p.a. increase in the Salary Increase Rate</td><td>1%</td><td>£32m</td></tr>
<tr><td>0.5% p.a. decrease in the Real Discount Rate</td><td>10%</td><td>£518m</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 £222.1m. 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 31 March 2020 indicate an unadjusted increase in asset values of £13.7m.</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 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</td><td>The total pooled property/freehold property investments in the financial statements are £364.2m. 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
	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 income or discounted cash flows. 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 £89.4m. There is a risk that this investment may be under or overstated in the accounts.
Timberland Equity Pooled Fund	Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.	The total Pooled Timberland Equity investments in the financial statements are £20.8m. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the Net Asset Statement Date

There have been no events since 31 March 2020, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions receivable

2018-19		2019-20
£000s		**£000s**
	By Category	
113,532	Employers – normal	117,517
870	Employers – special	58
15	Employers – augmentation	0
3,105	Employers – strain	1,888
28,991	Members – normal	30,678
714	Members – purchase of additional scheme benefits	553
147,227	**Total**	**150,694**

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.

2018-19		2019-20
£000s		**£000s**
32,310	Deficit recovery contributions included in employer normal contributions	33,785
32,310	**Total**	**33,785**

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.

2018-19		2019-20
£000s		**£000s**
	By Authority	
57,381	Administering authority	58,850
63,772	Other scheduled bodies	67,576
8,021	Community admission bodies	6,236
2,345	Transferee admission bodies	2,499
15,708	Resolution bodies	15,533
147,227	**Total**	**150,694**

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:

2018-19		2019-20
£000s		**£000s**
136	Strain instalments due after the net asset statement date	70
136	**Total**	**70**

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 2020.

8. Transfers in from other Pension Funds

2018-19		2019-20
£000s		**£000s**
4,614	Group Transfers	0
9,722	Individual transfers	12,103
14,336	**Total**	**12,103**

There were no group transfers in 2019-20. 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.

2018-19		2019-20
£000s		**£000s**
2,757	HMCS total present value	1,404
2,757	**Total**	**1,404**

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

2018-19		2019-20
£000s		**£000s**
	By Category	
115,356	Pensions	121,309
20,445	Commutation and lump sum retirement benefits	20,620
2,834	Lump sum death benefits	2,382
138,635	**Total**	**144,311**
	By Authority	
65,101	Administering authority	66,296
50,929	Other scheduled bodies	53,670
6,058	Community admission bodies	6,647
3,867	Transferee admission bodies	4,159
12,680	Resolution bodies	13,539
138,635	**Total**	**144,311**

10. Payments to and on account of leavers

2018-19		2019-20
£000s		**£000s**
534	Refunds to members leaving service	379
6,361	Individual Transfers out to other Schemes	5,997
54	Payment made under Regulations 74, 75 and 15(3) and 64 of the Local Government Pension Scheme (Administration) Regulations 2008/2018	115
6,949	**Total**	**6,491**

There were no Group Transfers paid out in 2019-20 or 2018-19.

11. Management Expenses

Pension fund management expenses for 2019-20 are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Note 11 Management Expenses now 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).

2018-19		2019-20
£000s		**£000s**
1,858	Administrative costs	1,858
17,960	Investment managements expenses	21,782
816	Oversight and governance costs	887
20,634	**Total**	**24,527**

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

a) Investment Expenses

2018-19		2019-20
£000s		£000s
15,266	Management fees – ad valorem	17,361
428	Management fees – performance	324
1,172	Management expenses on unit trusts	2,994
1	Direct Freehold Property	13
71	Custody fees	88
498	Fees and Other Expenses	329
524	Transaction costs	673
17,960	**Total**	**21,782**

12. Investment Income

2018-19		2019-20
£000s		£000s
346	Income from fixed interest securities	350
37	Income from index linked securities	38
21,333	Equity dividends	14,125
14,151	Pooled property investments	15,619
22,786	Pooled fund income- Unit trusts and other managed funds	45,721
1,302	Private equity income	1,171
7,341	Pooled funds rebate	5,467
230	Stock lending	110
1,106	Interest on cash deposits	1,397
36	Rents from Property (Note 12a)	53
70	Other	194
68,738	**Total Investment Income**	**84,245**

a) Property Income

2018-19		2019-20
£000s		£000s
36	Rental income	53
(1)	Direct operating expenses	(13)
35	**Net income**	**40**

13. Other Fund Disclosures

a) Taxes on Income

2018-19		2019-20
£000s		**£000s**
448	Withholding tax – equities	417
59	Withholding tax – pooled investments	56
507	**Total**	**473**

b) External Audit costs

2018-19		2019-20
£000s		**£000s**
25	Payable in respect of external Audit	18
25	**Total**	**18**

14. Investments

Market Value 31 March 2019		Market Value 31 March 2020
£000s		**£000s**
	Investment assets	
62,784	Fixed Interest Securities	65,899
594,826	Equities	534,057
2,450,696	Pooled Investments	2,335,030
427,934	Pooled property investments	363,109
212,928	Private equity Partnerships	222,058
470	Direct Freehold Property	1,089
36	Derivatives – futures	0
1,804	Derivatives - forward currency	5,724
73,338	Cash deposits	89,977
406	Amounts receivable for sales	1,291
3,825,222	**Total investment assets**	**3,618,234**
	Investment liabilities	
(1,655)	Derivatives - futures	0
(1,334)	Derivatives - forward currency	(9,904)
0	Amounts payable for purchases	(3,277)
(2,989)	**Total investment liabilities**	**(13,181)**
3,822,233	**Net investment assets**	**3,605,053**

a) Reconciliation of Movements in Investments and Derivatives

2019-20	Market value 31 March 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2020
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Fixed Interest Securities	**62,784**	25,855	(25,463)	2,723	**65,899**
Equities	**594,826**	912,836	(942,368)	(31,237)	**534,057**
Pooled property investments	**427,934**	27,059	(36,449)	(55,435)	**363,109**
Pooled investments	**2,450,696**	335,964	(278,910)	(172,720)	**2,335,030**
Private equity	**212,928**	41,640	(47,562)	15,052	**222,058**
Direct Freehold Property	**470**	740	0	(121)	**1,089**
	3,749,638	**1,344,094**	**(1,330,752)**	**(241,738)**	**3,521,242**
Derivative contracts:					
- Futures	**(1,619)**	3,754	(200)	(1,935)	**0**
- Forward currency contracts	**470**	35,144	(27,052)	(12,742)	**(4,180)**
	(1,149)	**38,898**	**(27,252)**	**(14,677)**	**(4,180)**
Other investment balances:					
- Cash deposits	**73,338**			0	**89,977**
- Amount receivable for sales of investments	**406**			(2,897)	**1,291**
- Amount payable for purchases of investments	**0**			0	**(3,277)**
Net investment assets	**3,822,233**			**(259,312)**	**3,605,053**

2018-19	Market value 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2019
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Fixed Interest Securities	**60,150**	377	0	2,257	**62,784**
Equities	**796,781**	475,997	(720,788)	42,836	**594,826**
Pooled property investments	**414,335**	59,220	(48,847)	3,226	**427,934**
Pooled investments	**2,016,462**	1,277,590	(928,317)	84,961	**2,450,696**
Private equity	**194,877**	36,806	(60,782)	42,027	**212,928**
Direct Freehold 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**			0	**73,338**
- Amount receivable for sales of investments	**3,433**			1,958	**406**
- Amount payable for purchases of investments	**(3,458)**			0	**0**
Net investment assets	**3,579,909**			**142,246**	**3,822,233**

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.

2018-19		2019-20
£000s		**£000s**
524	Transaction costs incurred during the year	673

b) Analysis of Investments

2018-19		2019-20
£000s		**£000s**
	Fixed Interest Securities	
62,784	**UK** - Quoted	65,899
62,784		**65,899**
	Equities	
35,474	**UK** - Quoted	31,267
559,352	**Overseas** - Quoted	502,790
594,826		**534,057**
	Pooled Funds – additional analysis	
	UK	
256,591	Unit trusts	214,551
218,099	Unitised insurance policies	207,776
1,649,531	Other managed funds	1,575,104
2,124,221		**1,997,431**
	Overseas	
148,096	Unit trusts	99,185
178,379	Other managed funds	238,414
326,475		**337,599**
	Pooled and Freehold Property, Private Equity and Derivatives	
427,934	Pooled property investments	363,109
212,928	Private equity	222,058
470	Direct Freehold Property	1,089
36	Derivatives – futures	0
1,804	Derivatives – forward currency	5,724
643,172		**591,980**
	Other Investment Balances	
73,338	Cash deposits	89,977
406	Amounts receivable for sales	1,291
73,744		**91,268**
3,825,222	**Total investment assets**	**3,618,234**
	Investment liabilities	
(1,655)	Derivatives - futures	0
(1,334)	Derivatives – forward currency	(9,904)
0	Amounts payable for purchases	(3,277)
(2,989)	**Total investment liabilities**	**(13,181)**
3,822,233	**Net investment assets**	**3,605,053**

c) Investments Analysed by Fund Manager

Market Value 31 March 2019 £000s	%		Market Value 31 March 2020 £000s	%
		Investments Managed by the ACCESS Pool (Link Fund Solutions)		
608,719	15.92	LF ACCESS Global Equity (ex UK) Fund	563,325	15.63
258,069	6.75	LF ACCESS UK Equity Core Fund	206,975	5.74
866,788	**22.67**		**770,300**	**21.37**
		Investments Managed outside of the ACCESS Pool		
513,424	13.43	Janus Henderson Global Investors	531,377	14.74
461,951	12.09	Capital International Ltd	472,330	13.10
449,825	11.77	LaSalle Investment Management	397,381	11.02
428,316	11.21	M&G (inc. Infracapital)	388,682	10.78
0	0.00	Mondrian	211,720	5.87
255,526	6.69	UBS	207,776	5.76
175,154	4.58	HarbourVest Partners	193,493	5.37
163,362	4.27	Insight Investment *	159,205	4.42
148,096	3.87	Goldman Sachs Asset Management	99,185	2.75
59,102	1.55	Equitix	75,476	2.09
43,751	1.14	Global Custodian **	34,097	0.95
39,205	1.03	Aberdeen Standard Investments	29,241	0.81
0	0.00	Stafford Capital Partners	20,821	0.58
0	0.00	Pantheon	13,969	0.39
234,527	6.14	Wellington International	0	0.00
1,065	0.03	Legal & General Investment Management	0	0.00
117	0.00	Baillie Gifford & Co	0	0.00
12	0.00	Fidelity	0	0.00
0	0.00	Berenberg Bank *	0	0.00
(17,988)	(0.47)	Goldman Sachs International	0	0.00
2,955,455	**77.33**		**2,834,753**	**78.63**
3,822,233	**100.00**		**3,605,053**	**100.00**

All the above companies are registered in the United Kingdom.

* 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.

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

Market Value 31 March 2019	Percentage of Total Fund		Market Value 31 March 2020	Percentage of Total Fund
£000s	%		£000s	%
		Security		
608,719	16.0	LF ACCESS Global Equity ex UK A INC	563,325	15.6
352,742	9.3	M&G Alpha Opportunities Fund	276,890	7.6
219,770	5.8	Janus Henderson Managed Multi Asset Credit Fund	216,985	6.0
258,069	6.8	Link Fund Sol Ltd Access UK Equity Core A Inc	206,975	5.7
255,526	6.7	UBS Life UK Equity Tracker	207,776	5.7

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 2018-19) 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 2020 the LF ACCESS Global Equity ex UK A INC fund held 210 stocks (2019 200).
- As at 31 March 2020 the M&G Alpha Opportunities Fund has 447 (2019 442) positions, across 385 (2019 353) issuers.
- At 31 March 2020 the Janus Henderson Multi Asset Credit Fund held 268 (2019 239) individual issues from 277 issuers (2019 200).
- As at 31 March 2020 the Link Fund Sol Ltd Access UK Equity Core A Inc fund held 57 stocks (2019 58).
- At 31 March 2020 the UBS Life UK Equity Tracker Fund held 641 securities (2019 653).

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 2019		31 March 2020
£000s		£000s
98,237	Value of quoted equities on loan	57,759
0	Value of un-quoted equities on loan	0
104,651	Fair value of collateral held by Custodian	62,798
107%	Collateral relative to stock on loan (percentage coverage)	109%

Stock Lending is a programme of lending eligible securities, such as domestic and overseas equities, corporate bonds, and sovereign government securities, from the portfolios of participating clients to approved borrowers, in return for a fee. The Fund’s stock lending programme is managed by a Securities Lending Agent, who is also the Global Custodian (HSBC).

All loans are fully collateralised with government securities and/or major index equities. 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 £300m 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:

Value on loan at 31 March 2019		Value on loan at 31 March 2020
£000s		**£000s**
1,999	UK Equities	872
96,238	Overseas Equities	56,706

At 31 March 2020, securities were on loan to 11 (2018 12) separate borrowers representing 11 (2018 12) parent groups. The largest single parent exposure was 25% (2018 51%) of the lending programme.

e) Property Holdings

Details of the Funds directly owned freehold properties are as follows:

31 March 2019		31 March 2020
£000s		**£000s**
444	**Opening Balance**	**470**
0	Additions	740
0	Disposals	0
26	Net increase in market value	0
0	Other changes in fair value	(121)
470	**Closing balance**	**1,089**

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

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 2020 (2019 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 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.

a) Futures

Outstanding exchange traded futures contracts are as follows:

31 March 2019				31 March 2020	
Economic Exposure £000s	**Market Value £000s**	**Type**	**Expires**	**Economic Exposure £000s**	**Market Value £000s**
		Assets			
0	0	UK Equity	Less than 1 year	0	0
8,830	36	Overseas Equity	Less than 1 year	0	0
	36	**Total Assets**			**0**
		Liabilities			
(34,327)	(795)	UK Equity	Less than 1 year	0	0
(56,681)	(860)	Overseas fixed interest	Less than 1 year	0	0
	(1,655)	Total Liabilities			**0**
	(1,619)	**Net futures**			**0**

There are no cash balances in respect of initial and variation margins arising on open futures contacts at the year-end included within cash balances (2018 £8.2m).

b) Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000s		000s	£000s	£000s
Between one and three months	£	92,720	EUR	(109,140)	0	(3,970)
Between one and three months	£	66,759	JPY	(9,404,700)	0	(3,597)
Between one and three months	£	74,286	$	(95,110)	0	(2,337)
Between one and three months	$	102,210	£	(89,149)	1,401	0
Between one and three months	JPY	7,828,000	£	(55,784)	2,777	0
Between one and three months	JPY	63,090	£	(49,281)	1,546	0
	Open forward currency contracts at 31 March 2020				5,724	(9,904)
	Net forward currency contracts at 31 March 2020					**(4,180)**
	Open forward currency contracts at 31 March 2019				1,805	(1,335)
	Net forward currency contracts at 31 March 2019					**470**

At the 31 March 2020, the fund held £0.1m (2019 £0.0m) 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 (£65.9m) 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
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	Not required	Not required

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		determined by the bid market price ruling on the final day of the accounting period.		
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	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	Valuations could be affected by Material events.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		Fund, net of applicable withholding tax.	with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	
Direct 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 Surveyors' Valuation Standards (9th Edition)	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate.	Significant changes in rental growth, vacancy levels or the 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	Unobservable inputs are subject to judgment by the respective manager but are applied in accordance with	Valuations could be affected by Material events occurring between the date of

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		value of the underlying investments. All assets are valued using income or discounted cash flows. Audited valuations are carried out annually and based on the Limited partnerships valued at Fair value or based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	the appropriate industry guidelines.	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.
Timberland Equity Pooled Fund	Level 3	Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. Assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited valuations are carried out annually and based on the Fair value of the fund.	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.
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		

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		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 2020.

2019-20	Assessed Valuation Range (+/-)	Value at 31 March 2020	Value on Increase	Value on Decrease
Description of Asset		**£000s**	**£000s**	**£000s**
Pooled Property / Direct Freehold Property	14.20%	364,198	415,914	312,482
Private Equity	28.40%	222,058	285,122	158,993
Pooled Infrastructure Equity	20.10%	89,447	107,426	71,468
Pooled Timberland Equity	20.10%	20,821	25,006	16,636
Net Investment Assets		**696,524**	**833,468**	**559,579**

The potential movement of +/- 14.20% for Pooled Property / Direct 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, Pooled Infrastructure Equity and Pooled Timberland 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 20.10% for Infrastructure or Timberland Investments and 28.40% for Private Equity Investments (or higher or lower).

2018-19	Assessed Valuation Range (+/-)	Value at 31 March 2019	Value on Increase	Value on Decrease
Description of Asset		**£000s**	**£000s**	**£000s**
Pooled Property / Direct Freehold Property	10.00%	428,404	471,245	385,564
Private Equity	15.00%	212,928	244,867	180,989
Pooled Infrastructure Equity	15.00%	59,102	67,967	50,236
Net Investment Assets		**700,434**	**784,079**	**616,789**

The potential movement of +/- 10.00% for Pooled Property / Direct 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, Pooled Infrastructure Equity and Pooled Timberland 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 realized 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 unrealized investments may differ materially from those indicated and could be up to 15.00% (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.

Direct Freehold Property

The direct freehold 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 income or discounted cash flows. Audit valuation is carried out annually and is based on the unobservable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.

Timberland Equity Pooled Fund

Investments in Pooled Timberland Funds are valued using the fair value of the underlying investments. All assets are valued by independent appraisers using comparable asset costs or sales and discounted cash flows. Audited 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 2020				
	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	605,680	2,224,762	695,435	**3,525,877**
Non-Financial assets at fair value through profit and loss	0	0	1,089	**1,089**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(9,904)	0	0	**(9,904)**
Net Investment Assets	**595,776**	**2,224,762**	**696,524**	**3,517,062**

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**

b) Transfers between Levels 1 and 2

There were no transfers between Level 1 and 2 in 2019-20 (no transfers during 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

2019-20	Market value 1 April 2019	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 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Pooled and Direct Freehold Property Investments	**428,404**	0	0	27,799	(36,449)	6,030	(61,586)	**364,198**
Private Equity	**212,928**	0	0	41,640	(47,562)	21,514	(6,462)	**222,058**
Infrastructure Equity Pooled Fund	**59,102**	0	0	36,977	(9,564)	124	2,808	**89,447**
Timberland Equity Pooled Fund	**0**	0	0	61,441	(41,041)	112	309	**20,821**
	700,434	**0**	**0**	**167,857**	**(134,616)**	**27,780**	**(64,931)**	**696,524**

2018-19	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 Direct 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 Equity 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 2019				31 March 2020		
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**
62,784			Fixed interest Securities	65,899		
594,826			Equities	534,057		
2,450,696			Pooled Investments	2,335,030		
427,934			Pooled Property	363,109		
212,928			Private equity	222,058		
1,840			Derivative contracts	5,724		
	86,374		Cash		99,351	
2,771			Other investment balances	3,263		
	162		Debtors		114	
3,753,779	**86,536**	**0**	**Total Financial Assets**	**3,529,140**	**99,465**	**0**
(2,989)			Derivative contracts	(9,904)		
		(40,536)	Creditors			(5,438)
0			Other investment balances	(3,277)		
(2,989)		**(40,536)**	**Total Financial Liabilities**	**(13,181)**		**(5,438)**
3,750,790	**86,536**	**(40,536)**	**Total Financial Instruments**	**3,515,959**	**99,465**	**(5,438)**

b) Net gains and losses on Financial Instruments

31 March 2019		31 March 2020
£000s		£000s
	Financial assets	
265,529	Fair value through profit and loss	(217,733)
0	Assets at amortised cost	0
	Financial liabilities	
(123,309)	Fair value through profit and loss	(41,458)
0	Liabilities at amortised cost	0
142,220	**Total**	**(259,191)**
	Reconciliation to Revenue and Fund Account – Profit and losses on disposal of Investments and change in the market value of investments	
26	Direct Freehold Property Holding (Not classified as a financial instrument)	(121)
142,246		**(259,312)**

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 2019-20 reporting period:

Asset Type	Potential Market Movements (+/-) %
Short Index-Linked Gilts	4.10
Long Index-Linked Gilts	9.30
UK Equities including pooled	27.50
Overseas Equities including pooled	28.00
Infrastructure Equity	20.10
Timberland Equity	20.10
UK Bonds including pooled	7.60
Index Linked Gilts including pooled	9.30
Bonds including pooled	8.70
Cash and Cash Equivalents (Including Payables and Receivables)	0.30
Pooled Property Investments / Direct Freehold Property	14.20
Private Equity	28.40
Total	**11.10**

* 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):

31 March 2020				
Asset Type	**Value £000s**	**Percentage Change %**	**Value on Increase £000s**	**Value on Decrease £000s**
Cash and Cash Equivalents including payables and receivables	83,812	0.30	84,063	83,561
Investment Portfolio Assets:				
Short Index-Linked Gilts	20,563	4.10	21,406	19,720
Long Index-Linked Gilts	12,862	9.30	14,058	11,666
UK Equities including pooled	446,017	27.50	568,672	323,362
Overseas Equities including pooled	1,066,114	28.00	1,364,626	767,602
Infrastructure Equity	89,447	20.10	107,426	71,468
UK Bonds including pooled	647,471	7.60	696,679	598,263
Index Linked Gilts including pooled	32,474	9.30	35,494	29,454
Bonds including pooled	599,216	8.70	651,348	547,084
Pooled Property Investments / Direct Freehold Property	364,198	14.20	415,914	312,482
Private Equity	222,058	28.40	285,122	158,994
Timberland	20,821	20.10	25,006	16,636
Total Assets Available to Pay Benefits	**3,605,053**	**11.10**	**4,005,214***	**3,204,892***

31 March 2019				
Asset Type	**Value £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***

* 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.

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 2019 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

31 March 2019	Value	31 March 2020
£000s	Asset Type	£000s
73,338	Investment Cash Balances	89,977
13,036	Cash in hand	9,374
62,784	Fixed Interest Securities	65,899
149,158	**Total**	**165,250**

31 March 2019	Interest Receivable	31 March 2020
£000s	Asset Type	£000s
1,033	Investment Cash Balances	1,324
73	Cash in hand	73
383	Fixed Interest Securities	388
1,489	**Total**	**1,785**

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:

31 March 2019				31 March 2020		
Asset values £000s	Impact of +1% £000s	Impact of -1% £000s	Asset Type	Asset values £000s	Impact of +1% £000s	Impact of -1% £000s
73,338	74,071	72,605	Investment Cash Balances	89,977	90,877	89,077
13,036	13,166	12,906	Cash in hand	9,374	9,468	9,280
62,784	63,412	62,156	Fixed Interest Bonds	65,899	66,558	65,240
149,158	**150,649**	**147,667**	**Total**	**165,250**	**166,903**	**163,597**

31 March 2019				31 March 2020		
Interest Receivable £000s	**Impact of +1% £000s**	**Impact of -1% £000s**	**Asset Type**	**Interest Receivable £000s**	**Impact of +1% £000s**	**Impact of -1% £000s**
1,033	1,043	1,023	Investment Cash Balances	1,324	1,337	1,311
73	74	72	Cash in hand	73	74	72
383	387	379	Fixed Interest Bonds	388	392	384
1,489	**1,504**	**1,474**	**Total**	**1,785**	**1,803**	**1,767**

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 10.00% 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 10.00% 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):

31 March 2019				31 March 2020		
	Change to net assets available to pay benefits				**Change to net assets available to pay benefits**	
Asset Value £000s	**+10.80% £000s**	**-10.80% £000s**		**Asset Value £000s**	**+10.00% £000s**	**-10.00% £000s**
1,168,070	126,152	(126,152)	Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,066,114	106,611	(106,611)
212,928	22,996	(22,996)	Private Equity	222,058	22,206	(22,206)
	149,148	**(149,148)**	**Change in net assets available to pay benefits**		**128,817**	**(128,817)**

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:

31 March 2019			31 March 2020	
Short term Rating (S&P)	Balances		Short term Rating (S&P)	Balances
	£000s	**Bank Deposit Accounts**		£000s
AAA	6,508	Federated Money Market Fund	AAA	4,675
AAA	6,507	Aberdeen Money Market Fund	AAA	4,674
		Bank current Accounts		
A-1	21	Barclays Bank		25
	13,036	**Total**		**9,374**

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 2020 comprise £88.0m (31 March 2019 £65.1m) deposited with AAA rated money market funds, £0.4m (2019 £2.1m overdrawn) with the custodian HSBC (rated A-1+), £1.6m (2019 £6.1m) posted as variation margin to account held by HSBC and deposited overnight in the AAA money market funds detailed above. The current account figure includes control account balances.

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 2020 (2019 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.

31 March 2019		31 March 2020	
Balances £000	Percentage of Total Fund Assets %	Balances £000	Percentage of Total Fund Assets %
700,434	18.3	586,256	16.3

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 2020 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 2019.

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 using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- 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 £m**
2019 actuarial valuation	99%	28
2016 actuarial valuation	80%	710

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.

2019 Valuation			
Primary Rate (% of pay)	**Secondary Rate £**		
1 April 2020 - 31 March 2023	**2020-21**	**2021-22**	**2022-23**
19.5%	£29,020,000	£30,689,000	£32,182,000

2016 Valuation			
Primary Rate (% of pay)	**Secondary Rate £**		
1 April 2017 - 31 March 2020	**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 2019 Valuation are as follows:

Year	**Employers Contribution Rates (% of actual pensionable pay)**
1 April 2020 to 31 March 2021	Range from nil to 34.5
1 April 2021 to 31 March 2022	Range from nil to 34.5
1 April 2022 to 31 March 2023	Range from nil to 34.5

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 2019 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 2019

	% per annum Nominal	% per annum Real
Price inflation (CPI)	2.3	-
Pay increases	3.0	0.7
Investment return (Discount rate)	4.2	1.9

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 2018 model, an allowance for smoothing of recent mortality experience and 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	21.7 years	23.9 years
Future Pensioners (current age 45)	22.8 years	25.5 years

The assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2019 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.

Experience over the period since 31 March 2019

Markets were disrupted by COVID-19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

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 2019		31 March 2020
£000s		£000s
(5,627,000) **	Actuarial present value of promised retirement benefits	(5,199,000)*
3,809,192	Fair Value of scheme assets (bid value)	3,621,120
(1,817,808)	**Net Liability**	**(1,577,880)**

* Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. However, following the Government announcement on the McCloud remedy consultation in July 2020, the estimated impact for McCloud has fallen since the prior assessment as at 31 March 2019. The impact included within the 31 March 2020 liabilities has been adjusted to allow for this.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, there is no allowance made for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

** 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 2019 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.

31 March 2019		31 March 2020
%	**Assumptions Used**	%
2.5	Inflation/Pension Increase Rate Assumption	1.9
2.8	Salary Increase Rate	2.6
2.4	Discount Rate	2.3

21. Current Assets

31 March 2019		31 March 2020
£000s		£000s
	Cash in Hand	
13,036	Cash in Hand**	9,374
	Debtors:	
2,515	Contributions due - employees*	2,441
7,298	Contributions due - employers*	5,723
1,406	Employers special contributions	1,406
597	Augmentation & strain due	668
1,191	Dividends receivable**	1,074
1,133	Pooled funds rebate due**	867
921	UK tax receivable	526
922	Overseas tax receivable	1,325
38	VAT refund due	74
23	Interest due**	25
18	Stock lending/commission recapture**	6
154	Recharge of fees**	108
8	Prepayments	5
8	Sundry**	6
16,232	**Total Debtors**	**14,254**
29,268	**Current Assets**	**23,628**

* 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 2019		31 March 2020
£000s		£000s
	Long term debtors:	
2,057	Employers contributions	645
62	Augmentation & strain due	14
2,119	**Total Long-Term Debtors**	**659**

Long term debtors comprise 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 2019		31 March 2020
£000s		£000s
	Analysis of Debtors (including Long Term):	
4,646	Central government bodies	3,330
4,383	Other local authorities	4,474
9,322	Other entities and individuals	7,109
18,351	**Total Debtors**	**14,913**

22. Current Liabilities

31 March 2019		31 March 2020
£000s		**£000s**
	Creditors:	
610	Transfer values payable (leavers)	176
2,151	Benefits payable	1,474
3,429	Investment Management Fees**	2,906
34,512	Receipts in Advance	9
2,593	Other Fees & Charges**	2,523
1,131	UK Taxation payable	1,132
2	Sundry creditors**	0
44,428	**Total Creditors**	**8,220**

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

31 March 2019		31 March 2020
£000s		**£000s**
	Analysis of Creditors:	
1,145	Central government bodies	1,131
36,824	Other local authorities	2,385
6,459	Other entities and individuals	4,704
44,428	**Total Creditors**	**8,220**

23. Additional Voluntary Contributions

The fund has three in-house AVC providers; Prudential, Clerical Medical and Utmost Life and Pensions (previously 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.

31 March 2019		31 March 2020
£000s		**£000s**
5,709	Separately Invested AVC Funds	5,428

31 March 2019		31 March 2020
£000s		**£000s**
1,068	AVC contributions paid directly during the year	898

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-four 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 2019		31 March 2020
£000s		£000s
1,225	Norfolk County Council	1,210
1,190	Norwich City Council	1,189
252	North Norfolk District Council	255
238	Borough Council of Kings Lynn & West Norfolk	234
183	Great Yarmouth Borough Council	180
107	Broadland District Council	106
101	Breckland District Council	103
58	South Norfolk District Council	58
160	Other	154
3,514	**Total**	**3,489**

25. Related Party Transactions

<u>Norfolk County Council</u>

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.

31 March 2019		31 March 2020
£000s		£000s
2,320	Norfolk County Council incurred administration and investment costs reimbursed by the fund	2,382
44,254	Norfolk County Council Employer Contributions	45,077

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.

31 March 2019		31 March 2020
£000s		£000s
11,342	Average investment balance held by NCC Treasury Management Operation	14,065
73	Interest earned on balances invested by NCC Treasury Management Operation	102

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 in note 13 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 2019-20 the remuneration amount incurred by the Fund was £9,000 (£9,000 2018-19).

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 2019		31 March 2020
£000s		£000s
219,520	Private equity partnerships	284,386
15,370	Property investment vehicles	28,526
25,172	Pooled Debt Funds	35,067
250,489	Pooled Infrastructure	285,025
0	Pooled Timberland	27,634
510,551	**Total**	**660,638**

At 31 March 2020 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 2020 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 2020. 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 and Credit opportunities portfolio.

During 2020 the Fund entered in to contractual relationships with two further Infrastructure managers. The contractual commitments associated with the new investments are shown above.

b) Contingent Assets

There were no contingent assets as at 31 March 2020. For the comparator year (as at 31 March 2019) the Administering Authority held charges on property 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 £0.233 million. 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 (Diss Children's Centre)	Admitted Body
Action for Children (Ex4Children)	Admitted Body
Action for Children (Fakenham Gateway Children's Centre)	Admitted Body
Action for Children (Hethersett)	Admitted Body
Action for Children (Nar & Terringtons Children's Centre)	Admitted Body
Ad Meliora Academy Trust	Scheduled/Resolution Body
Admirals Academy	Scheduled/Resolution Body
Alderman Peel High	Scheduled/Resolution Body
Alive West Norfolk 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

Employer	Type
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
Capita (Breckland Contract)	Admitted 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
Change Grow Live	Admitted Body
Charles Darwin Primary School	Scheduled/Resolution Body
Chartwell (Iceni Academy)	Admitted Body
Chartwell (Diocese of Norwich Education and Academies Trust)	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 Junior School (Academy)	Scheduled/Resolution Body
Costessey Town Council	Scheduled/Resolution Body
Cranworth Parish Council	Scheduled/Resolution Body

Employer	Type
Cringleford Parish Council	Scheduled/Resolution Body
Cromer Academy Trust	Scheduled/Resolution Body
Cromer Junior School	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 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
East Ruston Infant School and Nursery	Scheduled/Resolution Body
Eastern Inshore Fisheries and Conservation Authority	Scheduled/Resolution Body
Eastern Multi-Academy Trust	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 Worlledge Primary	Scheduled/Resolution Body
Edwards & Blake (Fakenham Infant and Nursery School)	Admitted Body
Edwards & Blake (Fred Nicholson School)	Admitted Body
Edwards & Blake (Magdalen Gates Primary)	Admitted Body
Edwards & Blake (Cherry Tree Marham Infant Academy)	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

Employer	Type
Emneth Primary	Scheduled/Resolution Body
Evolution Academy Trust	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Infant & Nursery	Scheduled/Resolution Body
Fakenham Junior School	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 Community Trust (Children's Centre)	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

Employer	Type
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
Hemsby Parish Council	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

Employer	Type
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
Kings Oak Academy	Scheduled/Resolution Body
Kinsale Junior School	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
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

Employer	Type
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
Norse Eastern (Highways)	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 High Schoo	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
Northgate Primary School	Scheduled/Resolution Body
Northrepps Parish Council	Scheduled/Resolution 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

Employer	Type
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
Postwick with Witton Parish Council	Scheduled/Resolution Body
Queensway Infant Academy and Nursery	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
Ringland Parish Council	Scheduled/Resolution 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
Sacred Heart Catholic V A Primary	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 + 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

Employer	Type
Spixworth Parish Council	Scheduled/Resolution Body
Spooner Row Primary	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Sports & Leisure Management Ltd	Admitted Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston High School	Scheduled/Resolution Body
Sprowston Town Council	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 Martha's Catholic Primary School	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 Infant School and Nursery	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

Employer	Type
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
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 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
White House Farm Primary School	Scheduled/Resolution Body
Wimbotsham and Stow Academy	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

Employer	Type
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 full 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 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.

EVENTS AFTER THE BALANCE SHEET Events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Those events that provide evidence of conditions that existed at the end of the reporting period are adjusted for in the Statement of Accounts. Events that are indicative of conditions that arose after the reporting period are disclosed if material, but no adjustment is made to the Statement of Accounts.

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 highly 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.

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).

DRAFT Annual Governance Statement

for Norfolk County Council

2019-20

1. Introduction

1.1. The Accounts and Audit (England) Regulations 2015 (as amended by The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404)) require that:

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

For Norfolk County Council (the Council) the Audit Committee undertakes these duties on behalf of the Council. Under the amendment, the publication date for audited accounts will move from 31st July to 30 November 2020 for all local authority bodies. In relation to any meetings needed to approve the published accounts, separate regulations (The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 SI 2020/392) have been made to enable meetings to be held remotely, and to hold and alter the frequency and occurrence of meetings without the need for further notice.

1.2. The Covid-19 outbreak, which started in late 2019 and developed rapidly during early 2020, meant that the Council deployed the Civil Contingencies Act 2004 [1] provisions and in order to follow government guidance on remote working and social distancing suspended Council meetings. In May the Council successfully deployed remote Council meetings for Cabinet and Scrutiny meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution. Business and officer meetings, briefings, communication and training continued successfully in a virtual format exploiting and leveraging the Council's Microsoft TEAMs facilities. The system has shown capacity for over 3,000 simultaneous remote users. The Government passed a Coronarvirus Act 2020 in March 2020 and has subsequently issued supporting regulations. The Council has participated in the Norfolk Resilience Forum and has held effective Gold and Silver meetings daily throughout the outbreak. A detailed report on the Covid-19 response and the financial implications was reported to Cabinet on Monday 11 May 2020. The report can be found at this link. A NCC response to Covid-19 initial lessons learned report was reported to Cabinet on Monday 3 August 2020. The report can be found at this link.

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[1] Councils are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the Covid-19 outbreak. As part of the local resilience forum councils work with local partner organisations to plan and activate emergency responses and there are established officer-led processes for leading the strategic (gold), tactical (silver) and operational (bronze) responses under the 2004 Act.

1.3. The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. Due to the suspension of Council meetings the 9th April 2020 Audit Committee was cancelled. The Chief Internal Auditor reported to the Audit Committee on 30th July 2020 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2019-20, was acceptable and therefore considered sound. This statement was approved, along with the Statement of Accounts, at the 15th October 2020 meeting of the Audit Committee.

1.4. As part of producing this statement, Executive Directors have completed and signed an Annual Positive Assurance Statement and completed a supporting departmental assurance table. ~~Whilst that work is helpful in supporting the assurance it is not a requirement. That process was postponed during the management of the Covid-19 conditions. The process will be completed later in the year when conditions allow.~~ Action plans will be put in place where any strengthening may be required.

2. Scope of responsibility

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

2.2. The Council has approved and adopted a Code of Corporate Governance consistent with the principles of the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014). The Code was approved by the Policy and Resources Committee on 26 March 2018. The Code has now been updated for consequential changes due to the adoption of the Cabinet system from May 2019. If you require any further information regarding this statement please contact Mr. Simon George, Executive Director of Finance and Commercial Services, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW.

2.3. Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, the Annual Governance Statement must include reference to controls where significant activities take place through a group entity. This includes Companies that the Council owns, or part owns.

2.4. This statement explains how the Council has complied with the Code of Corporate Governance and meets the requirements of regulation 4 of the Accounts and Audit

(England) Regulations 2015, in relation to the publication of an Annual Governance Statement.

2.5. The Council administers the Norfolk Pension Fund and, until 1 August 2018, the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements. For further details, please consult the **Norfolk Pension Fund Governance Statement 2019**.

2.6. The Council hosts or is represented on several Joint Committees, which are:

- Norfolk Records Committee,
- Norfolk Joint Museum Committee,
- Eastern Shires Purchasing Organisation (ESPO),
- Norwich Highways Agency Committee,
- Eastern Inshore Fisheries and Conservation Authority
- Norfolk Parking Partnership Joint Committee
- Norfolk and Waveney Joint Health Scrutiny Committee
- Joint Committee for Transforming Cities Fund projects.

2.7. The Council owns 13 companies (eight are 100% owned, three are partially owned and two are limited by guarantee with no share ownership), detailed below:

Active Companies:

- The largest wholly owned company by the Council is the Norse Group Limited. It is the parent company of NPS Property Consultants Limited, Norse Transport, Norse Eastern Limited, Norse Commercial Services Ltd and Norse Care Ltd, plus their subsidiaries. For more information regarding NORSE and its services, please refer to its website at http://www.norsegroup.co.uk
- Hethel Innovation Ltd, is wholly owned by the Council. The primary purpose of the company is to support inclusive economic growth and deliver associated economic benefits for the benefit of Norfolk communities, particularly where there are specific challenges, or the market has failed to address need. For more information please refer to the website at http://hethelinnovation.com/.
- Independence Matters is a Community Interest Company (CIC) which started trading 1 November 2013. The Council owns 49% of the shares for the initial contract period of three years which was extended for two years to 31st May 2019. A ten-year strategic partnership agreement was signed with Norfolk County Council in July after a three month extension to the previous enterprise agreement. Within the Partnership Agreement both parties have signalled the intention to transfer the 51% staff share ownership to Norfolk County Council to support future procurement if it is in the best interest of all parties. Currently staff shares are held by Independence Staff Matters Ltd as corporate trustee of the Independence Matters Employee Benefit Trust. The new partnership agreement has removed the block contract covering the traded services, with service predominately contracted through the use of the relevant procurement framework. In response to the issues facing a national home care provider and to ensure continuity of care, Home Support Matters was set up on 10th December 2018, as a wholly owned subsidiary of Independence Matters. For more information

regarding Independence Matters please refer to its website at http://independencematters.org.uk/.

- Norfolk Safety Community Interest Company (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. The company is limited by guarantee with no share ownership and the guarantees are provided by County Council employees acting on behalf of the County Council. For more information on the CIC please refer to website at http://norfolksafety.org/

- Legislator 1656 Limited is a holding company which is jointly owned with Norwich City Council and is controlled through each party owning 50% of the voting share capital. The company owns 100% of Legislator 1657 Limited whose principal activity is the leasing of investment properties.

- Repton Property Developments Ltd was incorporated on 27 July 2017 and is wholly owned by the Council. Its primary objectives is to undertake direct property development with the aim of maximising financial returns (capital receipts and revenue income) for the Council to support service delivery.

- NCC Nurseries Limited is wholly owned by the Council and was incorporated on 27 November 2019. The company has been set up to provide nursery provision after the previous provider, Great Yarmouth Community Trust, went into receivership. It operates six nurseries in the Great Yarmouth area and in due course it is expected that the company will seek alternative providers to run the nurseries and will withdraw from the sector.

- NCC HH Limited is wholly owned by the Council and was incorporated on 27 November 2019. The company has been set up to provide alternative education provision after the previous provider, Great Yarmouth Community Trust, went into receivership. It educates pupils at Shelton Horatio House School. The school had ceased admitting new pupils. NCC HH Ltd has ceased actively trading.

- LCIF 2 Limited was incorporated on 29 August 2019. The company is a management company which is responsible for the set up and implementation of the Low Carbon Innovation Fund. The company is limited by guarantee with no share ownership and the guarantees are provided 50% by the Council and 50% by the University of East Anglia. The Fund will invest in equity and convertible loans to support growing technologies across three LEP areas (New Anglia, Herefordshire and the Cambridge and Peterborough Combined Authority).

Non Active companies:

- The Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, with each party owning 50%. The company is currently in the process of being closed.

- Norfolk Energy Futures Ltd was wholly owned by the Council. The company was dissolved on 29 September.

- Educator Solutions Ltd, incorporated on 15 April 2016, was a wholly owned by the Council. Educator Solutions was dissolved on 13 October 2020.

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

Where appropriate the wholly owned/partly owned companies have Council Member and/or Officer representation on their boards of directors. Assurance about the governance in place for Norse has been obtained through the reports received by their Internal Auditors and a signed Group Annual Assurance Statement. All other significant companies have provided an Annual Positive Assurance Statement and completed a supporting assurance table. A governance review was carried out for Repton Property Developments Ltd in the year which found adequate controls were in place or being put in place.

2.8. The Council is a partner in five pooling arrangements, detailed below:

- The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. The Council now receives funding directly from Central Government as part of the formula funding

- Norfolk Medicines Support Service. The Council, the Clinical Commissioning Groups (CCG's) and Arden and Greater East Midlands Commissioning Support Unit, have put in place a Section 75 agreement, effective from 4th November 2019 until 31st October 2022. The CCG is the lead commissioner and Arden and GEM are the provider.

- There has been a Better Care Fund pooled arrangement in place, covering the five CCGs in Norfolk. Since April 2020, the CCGs have formed a single Norfolk and Waveney CCG. National guidance is awaited to enable a new Section 75 to be signed for 2020-21. The Better Care Fund (BCF) requires local authorities with responsibility for social services and CCGs to create a pooled commissioning fund for the provision of integrated health and community care services, with a priority purpose of supporting the integration of health and care. It incorporates Better Care Fund monies and Improved Better Care Fund grant. The pooled fund is secured through an agreement under section 75 of the National Health Service Act 2006. The Norfolk and Waveney STP Executive overseas the governance of the pooled fund. The Better Care Fund plan, which sets out how funds are spent, is required to be approved by the Health and Wellbeing Board. The Council administers the pooled funds.

- Following the Coronavirus pandemic a separate Section 75 agreement is being agreed to enable pooled fund arrangements to support the hospital discharge service requirements, commissioning of adequate step down care capacity and reclaim of related costs to the NHS. This will apply from 19th March 2020. The council will be supporting contracts for all hospital discharge, including costs that would normally be commissioned by the CCG. Costs will be recovered via a monthly claim to NHSEI with Norfolk County Council contributing resources that would normally have been expected to support care following hospital discharge.

- Norfolk County Council with all seven district councils are members of the Norfolk Business Rates Pool. The Pool enables Norfolk Authorities to retain revenue from additional business rates growth by avoiding a levy on growth which would otherwise be payable to Central Government. The pooled funds are used to support economic development projects in Norfolk with Norfolk Leaders approving the allocation of funds to projects. Norfolk Authorities submitted an application to become a 75% Business Rates Pilot Pool in 2019-20. It was confirmed in the Local Government Finance Settlement that Norfolk's application had been successful. In addition to the pooled funds used to support economic development projects, the pilot is forecast to deliver additional retained business rates income for Norfolk Authorities, with the financial benefits expected to materialise in 2020-21. In practical terms, the pilot means that Norfolk as a whole will benefit from retaining an additional 25% of any business rates growth experienced in 2019-20 over and above the level that would have been retained under the previous 50% Business Rates Pool. The actual level of this additional growth will be confirmed after 2019-20. A pilot governance agreement has been agreed by Norfolk Leaders and submitted to the Ministry of Housing, Communities and Local Government.

- Norfolk County Council acts as the accountable body for the Greater Norwich Growth Board Infrastructure Investment Fund. The 2013 Greater Norwich City Deal allows, amongst other things, access to £60 million of Public Works Loan Board (PWLB) borrowing at a reduced 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". Further information can be found at https://www.greaternorwichgrowth.org.uk/

2.9 Norfolk County Council has been designated to manage the 2014-2020 France (Channel) England Interreg Va European programme.

A written guarantee has been received from the Ministry of Housing, Communities and Local Government (MHCLG) confirming that the UK Government will cover all the costs of NCC in ensuring the delivery of the programme in the event of no deal to ensure the smooth transition into whatever new arrangement apply as a result. In order to deliver a smooth transition, the UK Government would like NCC to manage the FCE programme until such time as a clear way forward has been agreed. The written guarantee ensures that this is at no cost to the NCC. The Treasury Guarantee provides assurance that funding is for projects committed by 31 December 2020 The risks associated with Brexit arrangements are reported through the Council's risk management function; RM022 Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff (‘Brexit’).

The programme is an EU Commission programme funded through the Cohesion Fund and provides up to €223M of grant covering the geographic area of South and East England and Northern France. This will leverage up to a total of €315M of funds (with match funding). The programme budget is agreed by the French and UK Governments. The Cooperation Programme (CP) was approved by both national governments and by the Commission in October 2015. For further information please refer to website https://www.channelmanche.com/en/programme/about-the-programme/

Within the Council, a Project Board has been set up to oversee the management of risks this initiative generates for the authority.

The Audit Authority reports to the Audit Committee on progress made against the audit strategy and audit plan. Should significant issues arise and fail to be resolved with regards to the management and control system, these would be reported to the Audit Committee. No such issues were reported in 2019/20.

The programme also has its own governance arrangements involving Member States and EC representatives.

3. The purpose of a governance framework

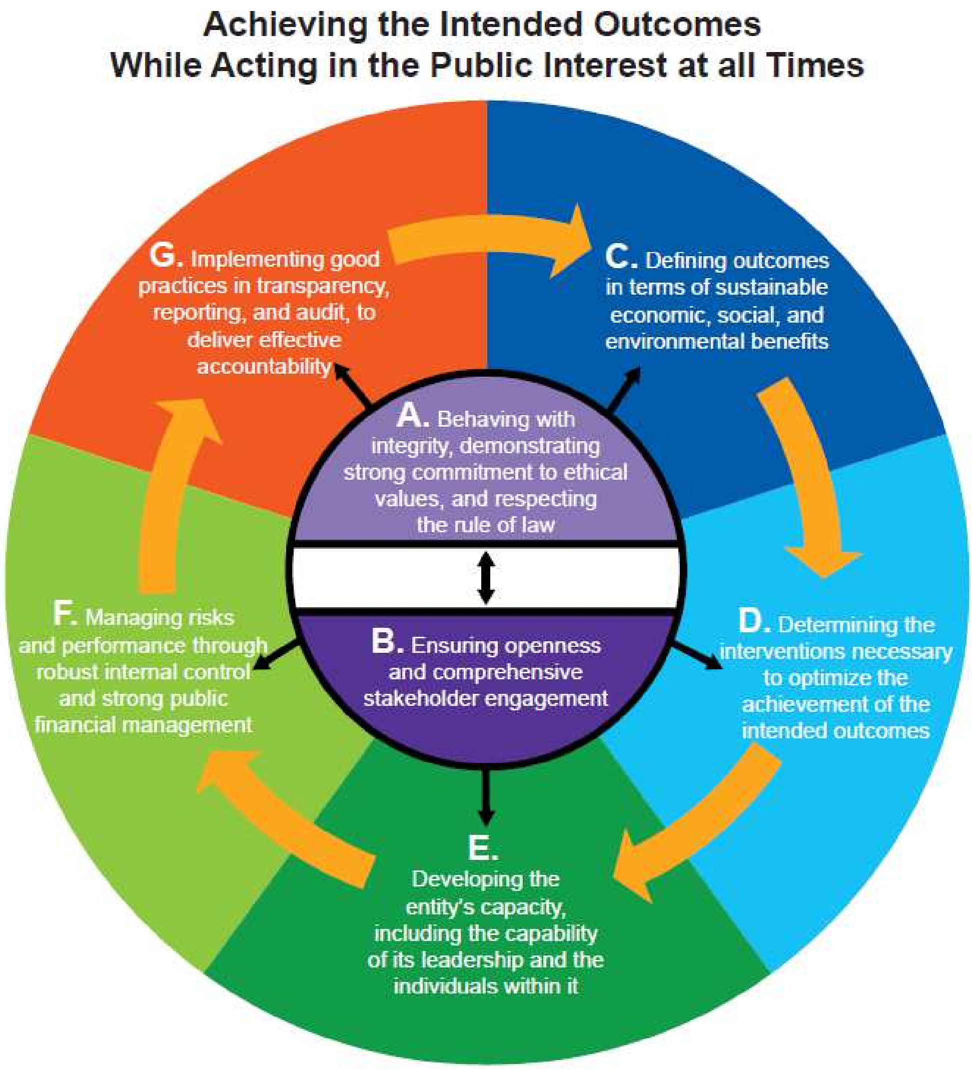
3.1. A governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and consider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

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

3.3. All wholly owned companies have a system of governance which is the responsibility of their Board of Directors and designed to give the Directors adequate information to review the activities of the Group and review and control the business risks.

4. The Governance Framework

4.1. The council achieves good standards of governance by applying the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (The ‘International Framework’).



4.2. This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times. As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C – G)

4.3. The Council's **Code of Corporate Governance** details the arrangements in place to comply with each of the principles. Several meetings, such as the 15th April 2019 County Council, the 18th April 2019 Audit Committee and the 24th April 2019 Health and Wellbeing Board were held under the previous Constitution. The Code has now been updated for consequential changes due to the adoption of the Cabinet system from May 2019. This Annual Governance Statement reviews the effectiveness of those arrangements and references changes that took place at the end of the financial year (and remain to date) for the Governance of the Council, as a result of the Covid-19 outbreak.

4.4 In response to the Covid-19 emergency the Council has developed a Distribution Infrastructure) to assist with the distribution of supplies to vulnerable members of the community. The Council established a 'step down' facility to assist with transfer of care cases from the NHS. The Council's Customer Services Centre have supported helplines. The Council has supported the local care market through constructive management of its contracts and payments. The Council has worked to source Personal Protective Equipment (PPE) for health and social care organisations including privately managed care homes in the County. We have worked with the Norfolk and Waveney CCG to ensure emergency PPE provided by central government, the CCG and NCC is provided to those organisations most in need. The Council has also proactively established internal staffing and wellbeing procedures to ensure that staff and managers are fully supported and resourced when working remotely or in the community during the emergency.

4.5 The Council has had to divert significant resources to responding to the Covid-19 pandemic. Strategic and operational control, including redirecting effort from other activities, has been exerted by a Gold and Silver command structure. The incurring of expenditure and the setting of policy has, where a key decision (as defined in the Council's constitution) was required, been authorised by the relevant Cabinet member.~~To date no new Council priorities, objectives or policies have been approved or implemented in relation to the Covid-19 regulations.~~ Existing projects, such as the Third River Crossing, SEND Capital Programme and the Western Link, and programmes, such as the Children's Services Transformation Programme are respecting Government guidance on remote working and social distancing and, as such, some activities were temporarily put on hold. Along with other local authorities the Council has received significant financial assistance from the Government in relation to liabilities associated with responding to the Covid-19 situation. The risk management framework has been followed to provide for both a Covid-19 Operational Risk Register for use by the tactical Silver Group and a Covid-19 Strategic Risk Register for use by the Corporate Board to manage emerging risks through the different phases of the pandemic and once the emergency response lifts. The Corporate Board have considered a report giving an assessment of the risks of longer term disruption and consequences arising from the coronavirus pandemic. Risk Management is also embedded at Departmental level and services are reviewing their specific risks. In September 2020 Cabinet supported the move to the Council becoming a locally supported contact tracing area to support and protect Norfolk residents recognising that full costs are still to be confirmed and that they are likely to create a cost pressure and delegating the final decision to the Leader as the Chair of the Norfolk Covid 19 Engagement Board.

5. Effectiveness of the governance framework

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

That review is informed by:

- The work of the Head of Paid Service and Executive Directors within the County Council who are responsible for the development and maintenance of the governance environment
- The statutory roles of the Council's Monitoring Officer and Section 151 Officer
- The signed departmental assurance statements received and signed by Executive Directors in 2018-19, pending the completion of such statements for 2019-20
- The Annual Governance Statement working group

- Work performed by Internal Audit
- Comments made by the external auditors and other review agencies and inspectorate
- Systems and controls carried out as outlined in the Code of Corporate Governance.

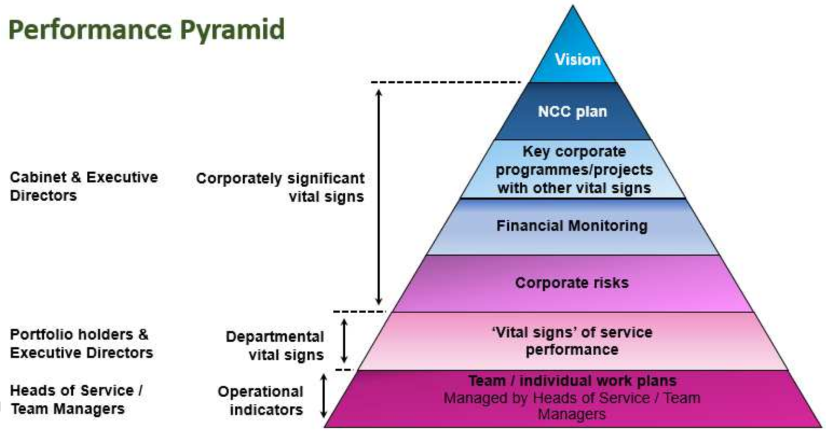
Responsibility for this annual review has been delegated to the Audit Committee. Overall, it is considered the Council's governance arrangements continue to be fit for purpose, in accordance with the governance framework.

5.2 The effectiveness of the governance framework can be demonstrated by the following:

	Principles	Comment
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Executive Directors confirmed, ~~in 2018-19 pending the completion of such statements for 2019-20, that~~ in all significant respects services comply with the Council's Constitution, Financial Regulations and key policies and procedures which include for declarations of interest, compliments and complaints and whistleblowing. Actions are in place to ensure full compliance. A register of Members interests, and a register of gifts and hospitality is published for each Member on the Norfolk County Council internet. The Standards Committee met once during 2019-20 on 9th October 2019. The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members. Progress on the Council's Equality, Diversity and Inclusion objectives 2017-2020 was reported to Cabinet in December 2019 Page 27. The Monitoring Officer's Annual Report was reported to the Audit Committee on 30th July 2020. There are no exceptions ~~expected~~ to report.
B	Ensuring openness and comprehensive stakeholder engagement.	From May 2019 the Council changed from a Committee system of governance to an Executive Leader and Cabinet system of governance. The new Constitution was adopted in the Annual General Meeting in May 2019. Cabinet, Scrutiny Committee, Select Committees and Full County Council have met regularly throughout the year. These are open meetings and the agenda and public reports are available to the public prior to the meetings. Full County Council and Cabinet meetings are filmed and streamed live on You Tube on the NCC Democratic Services Channel. There is also provision for the public to ask questions. Decisions taken at these meetings have been recorded in minutes. The agendas, public reports

	Principles	Comment
		and minutes are available on the Council website, with the exception of certain confidential information. A Norfolk Strategic Planning Framework has been endorsed by all stakeholder authorities in October 2019. It includes the shared objectives with Norfolk's Local Planning Authorities (including Norfolk County Council). During the year the Council has effectively engaged with stakeholders, residents and people who use the services provided. The Council consults on changes to services and other key decisions, such as the annual budget. The Council embraces the "We Asked, You Said, We Did" approach to consultation by publishing key findings from consultations and feeding back how these have contributed to council decisions. As well as formal consultations the Council runs a variety of events and manages a variety of panels or forums. These create opportunities for open dialogue with people who use the services enabling them to feed back their views, interests and concerns relating to the services offered. The key events and research included a business rates consultation event, resident research which offers an insight into the experiences of Norfolk residents and provided useful context for the NCC 6-year business plan. We delivered Meet the Leader sessions and we also engaged with people through the In-Care Council, Norfolk Youth Parliament and communicated with the Your Voice email list of residents. Norfolk wide engagement projects included feedback sessions with families across Norfolk to gauge their views and help the Council to design a new Early Years and Childhood Family Service; the Voluntary Sector Partnership Group helps to create better ways of working with the voluntary sector in Norfolk; bespoke engagement events designed to support the redevelopment of historical buildings in Norwich have also been delivered. There is an agreed Communication Strategy and Media Protocol delivered by the media team. As a result of the Covid-19 outbreak, which started in late 2019 and developed rapidly during early 2020, ~~meant that~~ the Council deployed the Civil Contingencies provisions and suspended Council meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution.

	Principles	Comment
		Decisions taken by the Head of Paid Service and Portfolio Holders are published as a Summary which is reported to Cabinet. Any Delegated Decisions called in from those made by Cabinet Members will be considered at a subsequent Scrutiny Committee. As a result of the Covid-19 adjustments Officer Delegated decisions were reported at part 10 (pages 3 and 4) of the 11th May 2020 Cabinet agenda. Many officer meetings continued in a virtual format. The Government passed a Coronarvirus Act 2020 in March 2020 and has subsequently issued supporting regulations.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.	The vision for Norfolk in 2021, was approved by Full Council on 12 February 2018. This set out the direction of the Council in the next three years and what it would like to achieve. The 'Vision for Norfolk 2021 Caring for our County' outlines the Council's commitment to: - Building communities we can be proud of - Making the most of our beautiful County - Starting a new relationship with Norfolk families - Investing in children and families - Helping our population remain independent, resilient and well - Getting our own house in order. Across the Council, teams and departments have developed '**Plans on a Page'** bringing fresh thinking to the task of proposing new and different ways to prepare for the future. Plans on a page support the Council's vision. On 7 May 2019 the Council formally adopted "Together, for Norfolk an ambitious plan for our County 2019-2025". It includes clear priorities and outcomes, as stated below: **Priorities** Focusing on **inclusive** growth and **improved social mobility** Encouraging **housing, infrastructure, jobs and business** growth across the County Developing our **workforce** to meet the needs of the sectors powering our local economy.

	Principles	Comment
		This way we can help Norfolk have a **growing economy**, full of **thriving people** living in **strong communities** we are proud of. **Outcomes** See page 64 of the County Council Agenda The Council's new Environmental Policy was presented and approved at Full Council on 25 November 2019.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.	 During the year Cabinet received performance monitoring reports on the identified key areas (vital signs). These included performance dashboards and a detailed review of those areas not performing as expected. These provided both quantitative and qualitative performance information. Where performance is not meeting expectations, the reasons why are discussed and the required action to improve performance is identified. The vital signs were revised in April 2020 to reflect the revised priorities and to ensure they provide early indicators of future operational and strategic risks. Each Executive Director/Departmental Management Team reviewed performance at least monthly, with challenge provided by the Business Intelligence function. The annual report ~~is being produced~~ showing how we are delivering against the plans and commitments stated in the Norfolk County Council Plan 2019-2025 has been delayed due to Covid-19. ~~This will be reported to Full Council in due course.~~It is the intention to refresh the Together, for Norfolk plan in April 2021 to align with recovery work, other long terms implications of Covid-19 and any policy changes from central government. The Scrutiny Committee has met monthly during the year.

	Principles	Comment
		External challenge has been provided through benchmarking, inspections and peer reviews. In October 2019 an LGA Corporate Peer Review was undertaken. It identified there needed to be an increased corporate overview of performance and the opportunity for greater challenge. Details of other inspections and peer reviews are included in Appendix 1.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.	Developing NCC's capacity The performance development conversations framework provides an evidence-based approach to setting goals, developing people and their performance. Training for managers supports their ability to lead high-quality conversations, however there is more work to do to ensure achievement of the target of 95% of colleagues having a record of these conversations on the system (~~current rates circa 50~~at 18 September completion was 79%). The Executive Directors are proactively championing the Performance Development Conversations approach now, a reporting dashboard is in development and work is underway to ensure that the new HR/Finance system will improve recording and reporting functionality to support improvement. Please note: since the coronavirus outbreak a modified approach to performance conversations has been agreed and implemented. Whilst performance development conversations remain a priority for ensuring clarity of individual and team goals, the focus will reflect the altered working practices and priorities of the organisation during this time. The Norfolk Development Academy provides learning and development resources required to develop and secure the capability of employees to meet the needs of the organisation; covering Leadership and Management, Core Skills, Digital Skills, Induction, NCC Apprenticeships, and Professional Communities. The NCC coaching strategy is underway and by Autumn 2020 there will be a cohort of internal, professionally qualified coaches available to support one to one learning and development. The Social Care Academy provides learning and development resources specifically to those colleagues working in social care.

	Principles	Comment
		Both academies have a clear and robust governance structure in place led from the top of the organisation. The annual staff survey is the primary pan-organisation measure of engagement and colleagues’ sense of the ‘deal’ between themselves and NCC. This enables directorates and services to track their progress with leadership effectiveness, and to identify themes for improvement and parts of the organisation requiring more support. Corporate Board and SLTs govern action plans arising from the staff survey results. Pan-organisation leadership development provision is in early stages, as identified by the recent peer review. It currently focuses on the provision of level 7 apprenticeship in leadership and management (MBA) and twice-yearly leadership conference for the top 150 leaders which will be reshaped and delivered in a virtual way in 2020. The newly created post of Head of Organisation Effectiveness and Learning holds the overall, high-level plan for the above and this is governed via the HR Leadership Team, the Norfolk Development Academy Board and Executive Directors.
F	Managing risks and performance through robust internal control and strong public financial management.	Corporate and departmental risk registers are up to date and are being used by managers as a management tool. Reporting of risk management activity to Members and senior management is embedded; for instance, corporate risk registers have been reported quarterly and annually to Cabinet, the Audit Committee and Corporate Board. Departmental risk registers were reported in the Cabinet Agenda for the April 2020 meeting which was published; although the meeting itself was cancelled due to Covid-19 considerations. The quality and range of data and information included in these reports has been strengthened to better inform on progress with managing specific risks and give them a better overview of the risk profile of each service. The risk management framework and policy have been updated during the year, which was reported in the Annual Risk Management report in July 2020. Under the Fire and Rescue Services Act 2004 (The Act), the Council is the statutory Fire and Rescue Authority (FRA). The Act makes it a statutory requirement for the

	Principles	Comment
		Fire and Rescue Authority to produce an Integrated Risk Management Plan. Norfolk FRA published its Integrated Risk Management Plan (IRMP) for 2020-23 January 2020 The latest published annual Norfolk Fire and Rescue Statement of Assurance 2017/18 covering 2017-18, was approved and published in March 2019. On 5 August 2020 Cabinet approved the Norfolk Fire and Rescue Authority Statement of Assurance 2018/19. Collaboration arrangements between the Fire and Rescue Service and Norfolk Constabulary have been formalised through a Memorandum of Understanding and collaboration agreement. This collaboration has enabled a number of service improvements to be put in place, including: - a new shared emergency control room, taking 999 calls from across Norfolk - more shared fire and police stations - a shared approach to dealing with missing persons - shared resources and training. Oversight of activities is carried out through the Council's Cabinet system, with any decisions taken in line with the Council's Constitution. All the Executive Directors have confirmed there are approved protocols, signed contracts and effective governance arrangements are either in place or in the process of being put in place for work performed by third parties. Performance of wholly owned companies is monitored by Senior Officers and Members attendance at Board Meetings. Before May 2019 decisions were made by all-party committees with membership reflecting the overall political makeup of the Council. Committees debate, challenge and make decisions. From May 2019 there has been a Scrutiny Committee and three Select Committees which together constitute the Council's overview and scrutiny arrangements pursuant to section 21 of the Local Government Act 2000. The Scrutiny Committee monitors the decisions made by the Cabinet, Officers making executive decisions on delegated authority and other decisions. The Scrutiny Committee have 'called-in' decisions which have been made by the Cabinet but not yet implemented. This enabled them to consider whether the decision is appropriate. The three select Committees are:

	Principles	Comment
		a) People and Communities Committee b) Infrastructure and Development Committee c) Corporate Committee The Member Training Programme ensures Members are aware of their responsibilities in decision making. This includes being sufficiently challenging and ensuring they have the appropriate level of support and information to enable them to make an informed decision. It is the intention to refresh and re-establish the Member Support and Development Advisory Group (MSDAG) to provide strategic steer to planning training and development. The Council has robust internal control: • An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 30th July 2020 meeting. There were no exceptions to report. • Systems and processes for financial administration, financial control and protection of the Council's resources and assets are in place and these are continually reviewed to ensure they meet the Council's business requirements. These controls are clearly described in the Council's Strategic Financial Plan agreed by the Council in February 2019. In addition, a Going Concern Statement has been produced to provide additional assurance. • Effective internal control arrangements are in place. These include financial guidance, budgetary systems, monitoring systems, delegation arrangements, accounting procedures, information systems and authorisation and approval processes. • Annual accounts are published on a timely basis. • An effective internal audit function is resourced and maintained. • Risk management arrangements are effective. • An effective Audit Committee is in place. • Measures are in place to prevent, detect and investigate fraud and corruption. • The internal audit team is compliant with the relevant professional standards, namely the United Kingdom Public Sector Internal Audit Standards. From January 2017 these were updated and are

	Principles	Comment
		now known as the International Standards for the Professional Practice of Internal Auditing. An external review was undertaken by CIPFA in May 2017. • Outstanding corporate high priority audit recommendations are followed up to ensure controls are put in place as soon as possible. A summary of the outstanding corporate high priority audit findings is reported to the Audit Committee. Executive Directors have confirmed there are processes in place to ensure the quality of data maintained or used as part of the decision making. The Council had successfully implemented a plan for the General Data Protection Regulation (GDPR) introduced on 25 May 2018. Data sharing arrangements are currently being made more robust. We have strong public financial management. Responsible Budget Officers are responsible for managing their budgets effectively. At the end of every month financial information on expenditure is produced including forecast expenditure and the planned impact on earmarked reserves. Finance Monitoring Reports have been discussed monthly at Cabinet.
G	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	During the year the Council has published information, including reports, in a manner which is accessible to citizens and other stakeholders. The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames. Reporting on performance, value for money and stewardship have been included in the Annual Report, Statements of Accounts and Annual Governance Statement. The Audit Committee has considered matters of governance, including internal audit, risk management, anti-fraud and corruption, the annual statement of accounts, treasury management and external audit during 2019/20. An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 30th July 2020 meeting. There were no exceptions to report. All Executive Directors have confirmed staff are aware of their responsibility to report upwards any unresolved matters of concern about internal control.

	Principles	Comment

5.3 Active wholly owned Companies have completed assurance statements confirming the effectiveness of their governance framework. No concerns have been identified.

6. Review of Effective Action on Significant Governance Issues 2018/19

6.1 There were no significant governance issues reported in 2018-19.

7. Significant Governance Issues

7.1 There are no significant governance issues to report for 2019-20. The Council has a robust risk management function where corporate risks were managed through Cabinet and reported to the Audit Committee during the year.

Councillor Andrew Proctor
Leader of the Council

Tom McCabe
Head of Paid Service

Notes:

Note 1: The following senior officers have contributed to drafting this statement

- Head of Paid Service
- Executive Director of Community and Environmental Services
- Executive Director of Adult Social Services
- Executive Director of Children's Services
- Executive Director of Finance and Commercial Services (Section 151 Officer)
- Executive Director of Strategy and Governance
- Director for People
- ~~Head of Democratic Services~~
- Director of Governance
- Director of Financial Management

Executive Directors who have produced signed Annual Positive Assurance Statements and supporting assurance tables ~~when conditions allow~~

Head of Paid Service and Executive Director of Community and Environmental Services
Executive Director of Adult Social Services
Executive Director of Finance and Commercial Services
Executive Director of Children's Services
Executive Director of Strategy and Governance

Appendix 1

External Reviews carried out during the year

	Comment
3	Finance and Commercial Services The overall key message in the external auditor's (EY) Annual Audit Letter (available on the Council Finance webpage Statement of Accounts 2018-19) was that an unqualified opinion was issued on the Council's accounts for 2018-19. The County Council was also given an unqualified 'Value for Money' opinion, within the Annual Audit Letter 2018-19. Children's Services Ofsted focused visit on 'Front Door' Services – October 2019 Ofsted Local Area SEND inspection – February 2020 Adult Social Services The 6 April 2020 Cabinet (Page 10) considered the Local Government & Social Care Ombudsman (LGSCO) Public Report, at this link, published on 27th February 2020. The report concluded that there was fault and made recommendations to the Council for improvements. Where a fault has been found it is a statutory duty that the report be laid before the authority concerned and the Council are required to respond to the Ombudsman within three months of publication the action it has or intends to take. An ADASS Peer Challenge took place, as part as an ongoing programme In February 2018, ASC commissioned Socitm Advisory to conduct a strategic review to assess the current maturity of Adults digital and AT services, and develop a digital roadmap and ascribe savings potential to these actions The output of this work has been used by Adults to shape their ASTEC projects over the last 2 years. Socitm Advisory visited NCC on 14th January 2020 to meet with the project team, discuss progress and achievements, and share insight. The findings of this visit was "overall, NCC has made significant progress over the last 2 years. ASC are of course on a digital journey, and there are many opportunities to progress further, however we would consider NCC as one of the more mature digital programmes" Community and Environmental Services

Comment

Customer Service Excellence (trademark of the Cabinet Office) reviewed the Customer Service Centre operation on 12 November and awarded us their quality mark. (This is an annual review)

‘Good’ rating from Ofsted for Adult Learning (inspection was in January).

Trading Standards

An annual assessment by the United Kingdom Accreditation Service (UKAS), as the UK National Accreditation Body, is performed to confirm that the Trading Standards calibration laboratory is meeting the standards required to maintain its accreditation status. At the assessment performed by UKAS during June 2019 the laboratory achieved accreditation to the new standard. The assessment team were extremely complimentary of the services provided and confirmed that compliance is being achieved on a continuing basis and therefore accreditation was maintained.

An annual assessment by an ISO9001 certification body of the Trading Standards laboratory was performed during April 2020. Following confirmation that the requirements of standards and regulations were met on a continuing basis, certification was maintained.

An annual assessment by representatives of the Secretary of State (BEIS) is performed to confirm that the Trading Standards laboratory’s notified body – managed by Norfolk on behalf of the East of England Trading Standards Association Limited – is meeting the requirements of the appropriate EU directives and UK legislation. The assessment in March 2020 identified that requirements are being met on a continuing basis and therefore designation by the Secretary of State was maintained.

An annual assessment was conducted in April 2020 by our nominated Radiation Protection Advisor (RPA) to ensure that controls the Trading Standards laboratory has in place, when using ionising radiation (IR), comply with the legal requirements of the IRR17. This provides the laboratory with consent to use IR within the Trading Standards’ laboratory facilities at Hethel Engineering Centre.

As part of its enforcement function, Officers of the Trading Standards Service are accredited on an annual basis by the National Crime Agency to conduct Financial Investigations. At the close of 2019/20 the national regulator had confirmed the accreditations of two Financial Investigators, three Financial Intelligence Officers and four Senior Appropriate Officers.

An annual inspection by the Investigatory Powers Commissioners’ Office (IPCO) of the National Anti-Fraud Network (NAFN) took place on 25-27 November 2019. NAFN provides technical expertise and processes Single Point of Contact (SPoC) communication data requests on behalf of Trading Standards and other regulatory services within the Community and Environmental Services Directorate. NAFN reported a positive and successful inspection, with the IPCO inspector reporting that he had ‘identified a good overall standard of compliance across NAFN, underpinned

	Comment
	by a dedicated and experienced SPoC department... In particular, I highlight the work of your SPoC unit…finding management and staff to be most engaging, helpful and committed to assisting their colleagues in local authorities undertake their statutory responsibilities to investigate crime and safeguard vulnerable people'. An annual inspection by the Sports Grounds Safety Authority (SGSA) in December 2019 found that the Council had carried out an effective discharge of its duties under the legislation. The function moves to Trading Standards from Democratic Services in June 2020. Processes are in place to ensure effective handover of the function without a reduction in high standards achieved. A further recommendation from the SGSA inspection report is that the Council should give serious consideration to a move away from prescriptive type General Safety Certificate to the risk-based type. This will be taken forward with the Safety Advisory Group during 2020-2021. Governance and Strategy Two LGA Peer Reviews were carried out during the year. The first reported the Council is changing at considerable pace. There is an increased feeling of stability and it has successfully addressed the financial challenge to date. Areas for improvement include an increased corporate overview of performance and greater challenge. <u>The second confirmed there was greater clarity and accountability that has resulted from the shift to the Cabinet system with Portfolio Holders. Recommendations include a review of its' Constitution through a cross party working group and to establish a corporate approach to work programming across Cabinet, Scrutiny Committee and the Select Committees.</u> Information Management Governance review by SOCITM Norfolk County Council (NCC) commissioned a review of its Information Management Governance Framework Arrangements by the Society for Innovation, Technology and Modernisation (SOCITM) – the professional network for leaders engaged in the innovation and modernisation of public services. The report was received in early March 2020 and has been used as a basis to create an action plan to further improve our current arrangements.

Audit Committee

Item No 6

Report title	**Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2020**
Date of meeting	**15 October 2020**
Responsible Cabinet Member	**Councillor Andrew Jamieson (Cabinet Member for Finance)**
Responsible Director	**Simon George (Executive Director of Finance and Commercial Services)**

Introduction

This report introduces the External Auditor's (Ernst & Young) Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2020

Executive Summary

This report enables the Audit Committee to formally consider matters raised by the Council's external auditors.

Recommendations

Audit Committee is asked to:

- consider matters raised in the Ernst & Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports before Ernst & Young issue their audit opinions.

1. Background and Purpose

1.1. Each year, the Council's External Auditors (Ernst & Young) produce Audit Results Reports summarising their work and findings from both the Pension Fund audit and the Norfolk County Council audit.

2. Proposals

2.1. This proposal enables the Audit Committee to formally consider matters raised in the Ernst & Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports, before Ernst & Young issue their audit opinions.

3. Impact of the Proposal

3.1. Once the Statement of Accounts are approved, taking into account any matters raised by the External Auditors, it is anticipated that the Council's external auditors, Ernst & Young, will be in a position to complete their audit. Following this the Council will then publish the accounts in their final form.

4. Evidence and Reasons for Decision

4.1. Appendix A1 to this report (to follow) sets out the Ernst and Young Norfolk County Council Audit Results Report – Audit Committee Summary for the year ended 31 March 2020.

4.2. Appendix A2 to this report sets out the Ernst and Young Norfolk Pension Fund Audit Results Report – Audit Committee Summary for the year ended 31 March 2020.

5. Alternative Options

5.1. In order to meet the Council's statutory obligations relating to the publication of accounts, no viable alternative options have been identified to the recommendations in this report.

6. Financial Implications

6.1. The auditor's Audit Result Reports are based on work associated with the 2019-20 Annual Statements of Account for the Council and for the Norfolk Pension Fund.

6.2. The cost of the audits for both Norfolk County Council and Norfolk Pension Fund are set out in the Audit Results Reports.

7. Resource Implications

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

8. Other Implications

8.1. **Legal Implications:**
In order to fulfil obligations placed on chief finance officers by regulations 10 of the Accounts and Audit Regulations 2015, the Executive Director of Finance and Commercial Services must publish an approved statement of accounts.

8.2. **Equality Impact Assessment**
There are no equality issues arising from the Audit Results Report.

9. Risk Implications/Assessment

9.1. The risk of not accepting matters raised in the audit results reports is the potential to miss statutory reporting deadlines.

10. Recommendation

10.1. Recommendations are set out in the introduction to this report.

Officer Contact

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

Officer name	Telephone	Email
Simon George	01603 222400	simon.george@norfolk.gov.uk
Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

IN TRAN communication for all

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

Appendix A

A1 Norfolk County Council EY Audit Results Report 2019-20

To follow

A2 Norfolk Pension Fund EY Audit Results Report 2019-20

Norfolk Pension Fund
Audit Results Report

Year ended 31 March 2020

25 September 2020

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EY
Building a better working world

25 September 2020

Dear Audit 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 Pension Fund for 2019/20.

We have substantially completed our audit of Norfolk Pension Fund for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the Pension Fund financial statements in the form at Section 3, ahead of the statutory deadline of 30 November 2020.

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 15 October 2020.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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08 Appendices

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

This Audit Results Report is prepared in the context of the Statement of responsibilities. 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 Hywell Ball, 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

Update to our risk assessment and the scope of our audit

In our audit planning report dated 22 May 2020, 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 exceptions:

Changes to our risk assessment as a result of Covid-19, in line with our discussions with you at the July Audit Committee:

- **Disclosures on Going Concern** – We consider the unpredictability of the current environment to give rise to a risk that the Pension Fund would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Pension Fund's actual year end financial position and performance.

- **Events after the balance sheet date** – We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Pension Fund.

Changes in materiality:

- We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of net assets we have updated our overall materiality assessment and our materiality levels remain consistent with those reported in our Audit Plan. We have updated our overall planning materiality assessment to £36.2 million (Audit Plan – £38.1 million).
- In our Audit Plan, we communicated that our audit procedures would be performed using a performance materiality of £28.6 million. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the values for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate. We have updated our performance materiality, at 75% of overall materiality, to £27.1 million.
- We have updated our threshold for reporting misstatements to £1.8 million, being 5% of our Planning Materiality.

Executive Summary

Update to the scope of our audit and our risk assessment

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Pension Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports. The uncertainty created by Covid-19 increases the importance of giving the right assurance to the Pension Fund and its stakeholders. As a result, we have instigated additional consultation processes on the wording of the auditor's report. In light of issues with going concern, this consultation process has involved significant senior level input from the audit team and EY's risk management team.

The changes to audit risks and audit approach have increased the level of work we have been required to undertake. We are currently quantifying the impact on the audit fee and will present our final fee to the Section 151 officer on completion of the audit.

Status of the audit

Our audit work in respect of the Pension Fund audit opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Triennial valuation (on behalf of admitted body auditors - IAS19);
- Subsequent events review;
- Internal consultation procedures on going concern, including review of revised disclosure;
- Agreement of the final set of accounts; and
- Receipt of signed management representation letter.

We include details of each outstanding item, actions required to resolve and responsibility in Appendix D.

Executive Summary

Status of the audit (continued)

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Pension Fund accounts. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

Before issuing an audit opinion we are required to conclude on our internal consultation in relation to the going concern considerations for the Pension Fund.

Audit differences

We identified one unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that it is corrected or a rationale as to why it is not corrected be approved by the Audit Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £14.775 million. We agree with management's assessment that the impact is not material. Section 4 sets out the detail of this audit difference.

We identified a limited number of audit disclosure differences in the draft financial statements, which have been adjusted by management. Further details are provided in Section 4 - with the most significant being the inclusion of a Disclosure Note in relation to Going Concern.

Control observations

During the audit, we did not identify any significant deficiencies in internal controls.

Independence

Please refer to Section 7 for our update on Independence.

Other matters

We are currently completing the procedures in respect of Pensions Assurance (IAS19 procedures) and the triennial review to provide assurance to the auditors of Norfolk County Council and the Norfolk District Council's and Norfolk Police & Crime Commissioner. This work is outside the scope of the audit of the Pension Fund.

Executive Summary

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Fund's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Management Override (Generic): Misstatements due to fraud or error	We have completed our testing and found no indications of management override of controls.
Management Override (Specific): Investment Income and Asset valuation - Investment Journals	We have completed our work in this area and have no matters to report.
Valuation of complex investments (Unquoted investments)	We have completed our work in this area. We identified an unadjusted error of £14.775 million and requested additional disclosure concerning the estimation uncertainly. We have no other matters to report.
Other area of audit focus	**Findings & conclusions**
Triennial Valuation	We are currently completing this work.
Going concern	The Pension Fund have now included a specific going concern disclosure. We are required to consult internally before issuing our audit opinion.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

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

02 Areas of Audit Focus

Significant risk

Misstatements 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.

We have considered where this risk specifically manifests itself and this is in the posting of investment journals (see following slide).

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
    - testing of journal entries and other adjustments in the preparation of the financial statements;
    - reviewing accounting estimates for evidence of management bias; and
    - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

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

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

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

Significant risk

Risk of inappropriate posting of investment valuation

What is the risk?

We have considered the key areas where management has the opportunity and incentive to specifically override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area being;

- Investment Income and Asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- Tested journals at year-end to ensure there are no unexpected or unusual postings;
- Undertook a review of reconciliations to the fund manager and custodian reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we acquired directly from the custodian or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- For quoted investment income we will agreed the reconciliation between fund managers and custodians back to the source reports.

What are our conclusions?

Our testing has not identified any material misstatements from investment income or year end investment assets.

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

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

Significant risk

Valuation of Complex Investments

(Unquoted Investments)

What is the risk?

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.

Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The proportion of the fund comprising of these investment types is significant at circa 16%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have a material impact on the financial statements.

What did we do and what management judgements did we focus on?

Our audit approach has included the following procedures:

- Assessing the competence of management experts;
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight weaknesses in the funds valuation;
- Obtaining copies of the ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

What are our conclusions?

As a result of the impact of Covid-19 on investment valuations, we extended our procedures to cover all Level 3 investments. Custodian and Fund Managers provided estimated values for unquoted investments based on information up to 31 March 2020. As these investments did not reflect the impact of Covid-19, Management applied Covid-19 asset valuation adjustments based on investment type. These are disclosed in financial statements - Note 3q.

Our analytical procedures using market trend data and the latest fund financial statements did not identify any material misstatements. Our reconciliation to revised fund manager Covid-19 adjusted valuations identified a £14.775 million understatement of investment values. We agreed additional disclosure to fully explain the estimation uncertainty concerning these investments.

We have not identified any other issues in the completion of our work.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant or inherent risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the area of focus?	What did we do?	What are our conclusion?
Triennial Valuation: Every three years, a formal valuation of the whole Fund is carried out under the Local Government Pension Scheme Regulations 2013 to assess and examine the ongoing financial position of the Fund. The fund liability is recalculated by the actuary and is used to set employer contribution rates and underpin investment management strategy. The last fund valuation was 31 March 2019. We consider there to be a higher inherent risk in the first year following the full fund valuation around the estimation process, data used and assumptions used by the actuary when valuing the fund.	▸ reviewed and tested the membership information supplied to the actuary for the triennial valuation; ▸ assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PwC – Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and ▸ reviewed and tested the disclosures made within the financial statements in relation to IAS26.	We are currently finalising our work but have no matters to report on the work performed to date.
Going Concern The Fund must prepare their financial statements on a going concern basis of accounting. Under ISA 570 we are required to challenge management's identification of events or conditions impacting on going concern and to test management's resulting assessment of going concern, evaluate the supporting evidence obtained and consider the risk of management bias.	▸ Obtained and reviewed managements going concern assessment; ▸ Challenged management's assessment of going concern; ▸ Reviewed supporting evidence such as cash flow forecasts, employer covenants and post year-end valuation statements for evidence to support managements going concern assessment; and ▸ Ensured sufficient disclosure within the financial statements.	We have substantially completed our work and requested an additional going concern disclosure note be included within the financial statements.

Other areas of audit focus

What is the area of focus?	What did we do?	What are our conclusion?
Events after the balance sheet date In light of Covid-19 there is a risk that the value of the Fund's investments has changed significantly since 31 March 2020. The Fund will need to consider whether there is a need to make a disclosure under events after the balance sheet date.	‣ Reviewed the Fund's consideration of a significant movement in investment values; ‣ Considered the appropriateness of the Fund's decision to make a disclosure; and ‣ Reviewed the reasonableness of any disclosure.	We are currently finalising our discussions with Management as to the extent that investment values have changed significantly since 31 March 2020 and whether this requires a further disclosure as an Event after the Balance Sheet date.

03 Audit Report

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Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26. 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 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Executive Director of Finance and Commercial Services (Section 151 Officer)'s 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 (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund'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.

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Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2019-2020, other than the financial statements and our auditor's report thereon. The Executive Director of Finance and Commercial Services (Section 151 Officer) is responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Audit Report - continued

Our opinion on the financial statements

Responsibility of the Executive Director of Finance and Commercial Services (Section 151 Officer)

As explained more fully in the “*Statement of Responsibilities*” on page 14, the Executive Director of Finance and Commercial Services (Section 151 Officer) is responsible for the preparation of the Authority’s Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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 (Section 151 Officer) is responsible for assessing the Pension Fund’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 Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

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.

Use of our report

This report is made solely to the members of Norfolk Pension Fund, 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 £1.8 million which have been corrected by management that were identified during the course of our audit.

Our audit identified only a limited number of minor misstatements which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in the Annual Accounts. We consider that only the following misstatements to be so significant as to merit bringing to your attention:

- The draft financial statements did not include a going concern disclosure. This has subsequently been prepared for inclusion within the final accounts, we have reviewed the disclosure and agree that it appropriately reflects managements going concern assessment.
- Additional disclosures were required in respect of the 'valuation uncertainty' expressed by valuers within a number of Fund Manager reports for Pooled Property Funds.

Summary of Unadjusted differences

As reported on page 12, our reconciliation to revised fund manager Covid-19 adjusted valuations identified a £14.775 million understatement of investment values.

There are no other uncorrected audit differences.

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Norfolk Pension Fund Annual Report with the audited financial statements. We have reviewed the Pension Fund Annual Report and are satisfied that it is consistent with the financial statements. We have prepared and will issue a consistency statement to Management alongside our Audit Report.

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.

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 Fund'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; and
- Consideration of laws and regulations.

Other than those areas we have outlined in section 4, we have nothing to report in respect of these matters.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Fund 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 Fund 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.

07 Independence

Independence

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 22 May 2020.

We complied with the APB Ethical Standards. 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 that should be reviewed by both you and ourselves. It is therefore important that you and your General Purposes and Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 15 October 2020.

As part of our reporting on our independence, we set out a summary of the fees you have paid us in the year ended 31 March 2020 (See following slide). We confirm that we have not undertaken non-audit work. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

Independence - Audit Fees

Fee analysis

Description	Planned Fee 2019/20 £'s	Final Fee 2018/19 £'s
Scale Fee	20,866	20,866
Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1)	40,005	-
Revised Scale Fee	**60,871**	**20,866**
Additional work required for Covid-19 considerations (See Note 2)	To be confirmed	-
Total indicative Pension Fund Fee	**To be confirmed**	**20,866**
Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund) Standard annual procedures in respect of IAS19 and additional procedures in respect of the triennial valuation	11,500 (Note 3)	5,500

Notes:

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Pension Fund - £20,695
- Additional work to address increase in Regulatory standards - £18,725
- Client readiness and IT support for Data Analytics - £585

Note 2 - Additional time has been required for internal consultation processes on the consideration of the Pension Fund's going concern assessment.

Note 3 - We anticipate charging an additional fee of £8,000 in 2019/20 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. For 2019/20 we were also required to perform additional procedures over the 2019 triennial valuation of the Fund on behalf of admitted body auditors. The triennial valuation informs both the assessment of the IAS19 liabilities in the Council's financial statements and the actuarial present value of promised retirement benefits in the Pension Fund financial statements - £3,500. The Pension Fund can recharge this fee to the relevant admitted bodies.

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 company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, 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 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The previous includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm that none of the services listed below 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.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.

Summary of key changes (continued)

- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf

08 Appendices

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

Net Assets Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Long term debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Creditors	Substantively tested all relevant assertions	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B

Summary of communications

Date	Nature	Summary
30 January 2020	Meeting	The Audit Partner met with the Audit Committee and senior members of the management team to verbally discuss the audit strategy and likely audit risk.
30 July 2020	Report	The Audit Manager meet with the Audit Committee and senior members of the management team to present the Audit Plan. Our report included confirmation of independence.
15 October 2020	Meeting/Report	The Partner and Audit Manager met virtually with the Audit Committee and senior members of the management team to discuss the Audit Results Report (ISA260).
Various	Meetings	Regular calls held with management, the Partner and Audit Manager to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout July and August.

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.

Appendix C

Required communications with the General Purposes and Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the General Purposes and 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.	Audit Plan - 22 May 2020 - Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 22 May 2020 - Audit Committee
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 ▶ Findings and issued regarding opening balances on initial audits	Audit Results Report – 15 October 2020 Audit Committee

Appendix C

Required communications	What is reported?	Our Reporting to you: When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	We have asked management and those charged with governance. We have reviewed managements assessment in light of Covid-19 and no material uncertainty has been identified. Disclosure will be included in the final statements as reported in section 2 of this 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 – 15 October 2020 - Audit Committee
Subsequent events	▸ Enquiry of the General Purposes and Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have not identified any subsequent events.
Fraud	▸ Enquiries of the General Purposes and 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 General Purposes and Audit Committee responsibility.	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority	We have no matters to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Results Report – 15 October 2020 - Audit Committee

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.	We have no matters to report.
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 General Purposes and 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 General Purposes and 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 – 15 October 2020 - Audit Committee
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 – 15 October 2020 - Audit Committee
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 – 15 October 2020 - Audit Committee
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 15 October 2020 - Audit Committee
Fee Reporting	▸ Breakdown of fee information when the Audit Plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – 22 May 2020 – Audit Committee Audit Results Report – 15 October 2020 - Audit Committee

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Triennial valuation	We are currently concluding our audit procedures on our triennial valuation testing.	EY
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Internal Consultations	We are required to consult internally before concluding on our going concern audit work.	EY
Management Representation Letter	Receipt of signed management representation letter.	Management
Agreement of Final set of Accounts	On completion of Level 3 valuations testing, agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of areas listed above.	EY

Appendix E – Management representation letter

Management Representation Letter

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

Tel: 01223 394400
Fax: 01223 394401
www.ey.com/uk

25 September 2020

Simon George
Executive Director of Finance
Norfolk County Council
County Hall
Martineau Lane
Norwich
NR1 2DH

Dear Simon,

Norfolk Pension Fund – 2019/20 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 Pension Fund.

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

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Norfolk Pension Fund ("the Fund") for the year ended 31 March 2020.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2019 to 31 March 2020 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

That you understand that the purpose of our audit of the Fund's financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing (UK), 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 yourselves:

A. Financial Statements and Financial Records (See Note B)

1. That you have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. That you confirm that the Fund is a Registered Pension Scheme. You are not aware of any reason why the tax status of the scheme should change.

3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. That you have approved the financial statements.

4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error.

   You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.

6. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, 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).

Appendix E – Management representation letter

Management Representation Letter

EY
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B. Non-compliance with laws and regulations including fraud

1. That you acknowledge that you are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. That you have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of your advisors.
5. That there have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. That you have drawn to our attention all correspondence and notes of meetings with regulators (if applicable).
6. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - Involving financial improprieties
   - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund'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 Fund, its ability to continue, or to avoid material penalties
   - Involving management, or employees who have significant roles in internal control, or others
   - 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. That you have provided us with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
   - Additional information that you have requested from us for the purpose of the audit.
   - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

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Building a better working world

2. That we have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. That you have made available to us all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date (24 September 2020).
5. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Fund'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 period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. That you confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

   Where members of the management of the Fund have determined that annuity policies are not material the following statement may be added: The Scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to the net assets. These policies have an estimated value of £xxx.
7. That you have disclosed to us, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. That you believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
10. That from the date of your last management representation letter to us, through the date of this letter you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

Appendix E – Management representation letter

Management Representation Letter

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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 relating to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. Other than described in the relevant note (Note [X]) to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the The Norfolk Pension Fund Annual Report and Accounts 2019/2020.

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

G. Independence

1. You confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. You confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. You confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

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J. Actuarial valuation

1. The latest report of the actuary [*Name*] as at [*Date*] and dated [*Date*] has been provided to us. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. You agree with the findings of the specialists that we have engaged to Private Equity Investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

L. Estimates

Valuation of Investments

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 applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020).

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

3. You confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete including the effects of the COVID-19 pandemic on the valuation of investments and made in accordance with the applicable financial reporting framework.

4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going Concern

1. That Note [X] to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

N. Specific Representations

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

Appendix E – Management representation letter

Management Representation Letter

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7

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee (if relevant) and Chair of Audit Committee) on the proposed audit opinion date (to be confirmed with you) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

EY | Assurance | Tax | Transactions | Advisory

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

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Audit Committee

Item No 7

Report title	**Audit Letters of Representation 2019-20**
Date of meeting	**15 October 2020**
Responsible Cabinet Member	**Councillor Andrew Jamieson (Cabinet Member for Finance)**
Responsible Director	**Simon George (Executive Director of Finance and Commercial Services)**

Introduction

This report introduces the audit letters of representation of Norfolk County Council and of Norfolk Pension Fund for 2019-20.

Executive Summary

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations. The Council's external auditors require that the letters are signed before they can complete their audit.

Recommendation

The Audit Committee is asked to:

- note the unadjusted audit differences set out in paragraphs 6.2 and detailed in paragraph A5 and A7 of the draft Letters of Representation attached to this report.
- endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council and, on the basis that they may be subject to non-material amendments and clarifications resulting from further audit work prior to signature, delegate the Chairman of the Audit Committee and Executive Director of Finance and Commercial Services to sign the letters on behalf of the Council.

1. Background and Purpose

1.1. This report provides details of the letters of representation in connection with the audit of the 2019-20 financial statements of Norfolk County Council and the Norfolk Pension Fund.

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations.

One letter covers the Norfolk County Council statement of accounts and is attached as an appendix to this report. A second letter covers the Norfolk Pension Fund only and has been endorsed by the Norfolk Pensions Committee.

The auditors require that the letters are signed by persons with specific responsibility for the financial statements, which for this Council is the

Executive Director of Finance and Commercial Services, and formally acknowledged as being correct by “those charged with governance” by being signed by:

- the Chairman of the Audit Committee in the case of the Norfolk County Council letter, and by
- the Chairman of the Audit Committee and the Chairman of the Pensions Committee in respect of the Pension Fund.

The County Council has delegated responsibility for approving the Statement of Accounts and endorsing the letters of representation to the Audit Committee. The letters will be dated to coincide with the date of the audit opinion.

2. Proposals

2.1. This proposal enables the Council’s external auditors, Ernst & Young, to place reliance on the Council’s representations prior to completing their audits and issuing their audit opinions.

3. Impact of the Proposal

3.1. Once the letters of representation are approved and signed, it is anticipated that the Council’s external auditors will be in a position to complete their audits. Following this the Council will then be able publish its accounts.

4. Evidence and Reasons for Decision

4.1. An example Letter of Representation for the Council is attached as Appendix 1. The final wording will be guided by the advice of the external auditors.

The Norfolk Pension Fund Letter of Representation is at Appendix 2.

Any necessary late changes made as a result of audit requirements will be tabled and explained at the meeting.

4.2. Following a report to the Pensions Committee on 1 October 2020 “Draft Pension Fund Annual Report and Accounts”, the Pensions Committee endorsed the Pension Fund Letter of Representation.

4.3. The Executive Director of Finance and Commercial Services has written the letters in accordance with audit requirements following consultation with Departmental Chief Officers.

5. Alternative Options

5.1. In order to meet the Council’s statutory obligations, no alternative options have been identified to the recommendations in this report.

6. Financial Implications

6.1. The Letters of Representation are part of the External Audit requirements for the 2019-20 Statement of Accounts and are consistent with the Statement of Accounts introduced elsewhere on this agenda.

6.2. There is one unadjusted difference in the Norfolk County Council Group accounts due to new accounting rules for lease accounting (IFRS 16) being mandatory for the Norse Group two years before the they are due to be applied to the Council. The Council has taken the decision to depart from the CIPFA Code and not to adjust the Group Accounts to reverse the impact of IFRS16 adoption. The information required to reverse the impact of IFRS16 in the 2020/21 accounts will not be available from Norse and as the newly recognised assets in the balance sheet are less than 0.7% it is felt the non-adjustment will not materially impact the users understanding of the accounts. From 1 April 2021 the Council's accounts and group accounts will converge as both will be subject to IFRS16. This item has no impact on the Council's earmarked reserves or general balances. Further details are set out in Items A5 in the Council's draft Letter of Representation.

There is one unadjusted audit differences in the Pension Fund accounts with investment assets understated by £13.722m. The valuation of private equity held by HarbourVest Partners and Aberdeen Standard Investments was estimated at £222.058m with the actual year end valuation (received in July 2020) being £235.780m. This was not adjusted for in the accounts as it was not deemed to have a material overall impact. This decision was discussed and accepted by the Pensions Committee on 1 October 2020.

Items A5 in the Council's draft Letter of Representation and A7 in the Pension Fund Letter of Representation state that the effects of unadjusted audit differences are immaterial to the financial statements.

6.3. Further details can be found in the Audit Results Reports elsewhere on the agenda.

7. Resource Implications

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

8. Other Implications

8.1. **Legal Implications:**
In order to fulfil obligations placed on chief finance officers by regulations 6 and 10 of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, the Executive Director of Finance and Commercial Services must prepare an annual governance statement, and publish an approved statement of accounts by 30 November 2020, or if later, as soon as reasonably practicable after the receipt of the auditor's report.

8.2. **Equality Impact Assessment**
There are no equality issues arising from the Letters of Representation.

9. Risk Implications/Assessment

9.1. The risk of not approving the letters of representation is that the external audit will not be completed, and the Executive Director of Finance and Commercial Services will not be able to publish the statement of accounts as required by the Accounts and Audit Regulations 2015.

10. Recommendation

10.1. Recommendations are set out in the introduction to this report.

Officer Contact

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

Name	Telephone	Email
Simon George	01603 222400	simon.george@norfolk.gov.uk
Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

IN TRAN communication for all

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

Appendix 1

Letter of Representation (Norfolk County Council) 2019-20

Norfolk County Council

Finance Department
County Hall
Martineau Lane
Norwich
NR1 2DW

My Ref: audit letter of rep
Your Ref: .

Please ask for: Howard Jones
Direct Dialling Number: 01603 222832
Email: howard.jones@norfolk.gov.uk

[date]

Mr M Hodgson
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

DRAFT

This representation letter is provided in connection with your audit of the consolidated and council financial statements of Norfolk County Council ("the Group and Council") for the year ended 31 March 2020.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the financial position of the Group and Council financial position as of 31 March 2020 and of its financial position (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 2019-20.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

2. We acknowledge as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation 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, we 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 2019-20 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences are immaterial both individually and in aggregate, to the financial statements taken as a whole. There is one unadjusted audit difference in the Council's group accounts. The reason for not adjusting the difference is detailed below:

    a. Group Accounts IFRS16 lease accounting.

    Under previous rules, lessees accounted 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.

    On 1 April 2019, Norse Group Ltd adopted IFRS 16, in accordance with recognised accounting standards required for larger companies. This has resulted in £10.350m of operating lease liabilities being reclassified as finance leases from that date, increasing the value of both lease liabilities and Property Plant and Equipment in the Group balance sheet. These leases are reflected in the group accounts at 31 March 2020 as finance liabilities of £12.116m, matched by an increased value of fixed assets.

    To put this value in context, the net book value of Property, Plant and Equipment in the group balance sheet is £1,768m. The value of newly recognised assets in the balance sheet is less than 0.7% of the total value of PPE.

    CIPFA/LASAAC originally deferred implementation of IFRS16 for local authorities from 1 April 2019 to 1 April 2020, and more recently at its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation to the 2021-22 financial year, with an effective date of 1 April 2021. The first published balance sheet which will be affected will be dated 31 March 2022.

    In order to apply the CIPFA Code to the Group accounts, the impact of the adoption of IFRS 16 by the Norse Group would have to be reversed out of the group accounts, reducing both assets and liabilities by £12.116m. This has not been done for the following reasons:

- the adjustment is not material to the group accounts;
- although it would be possible to reverse the entries as at 31 March 2020 using data held by Norse, the equivalent accounting entries will not available from Norse as part of their accounts production work as at March 2021;
- any additional work will compromise the Council's ability to produce auditable draft accounts in advance of the 31 May 2021 deadline;
- in 2021-22 the Council's accounts and group accounts will converge as both will fully be subject to IFRS 16.

Materiality can relate to factors other than monetary value, but due to the nature of the adjustment and the relevant information in the accounts, it is highly unlikely that a user of the accounts would be affected by this decision.

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

1. We acknowledge that we 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. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
   a. involving financial statements;
   b. 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;
   c. 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;
   d. involving management, or employees who have significant roles in internal controls, or others; or
   e. in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 15 October 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the 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. We believe that the significant assumptions that we have used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the 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 you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed 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's 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 our 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. We confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

G. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Norfolk County Council Statement of Accounts 2019-20.
2. We confirm that the contents contained within the other information is consistent with the financial statements.

H. Going Concern

1. We have made you 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, our 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. We have properly recorded or disclosed in the consolidated and Council financial statements the usable and unusable reserves.

K. Use of the Work of a Specialist – Property, Plant and Equipment

1. We agree with the findings of the specialists that we 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. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Valuation of Property, Plant and Equipment Assets

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.
2. We 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. We 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 2019-20.
4. We 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. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5-year rolling programme for valuations and that each asset category is not materially misstated.
6. We confirm that for assets carried at historic cost, no impairment is required.

M. Retirement Benefits

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

N. Use of the Work of a Specialist – Pension Liabilities

1. We agree with the findings of the specialists that we 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. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

O. Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.
2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. We 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 2019-20.

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

Yours faithfully

Simon George, Executive Director of Finance and Commercial Services

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I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 15 October 2020

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Appendix 2

Letter of Representation (Norfolk Pension Fund) 2019-20:

Endorsed by 1 October 2020 Pensions Committee

Norfolk Pension Fund
Delivering the Local Government Pension Scheme in Norfolk

for you, for now, for the future
lgps

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

Please contact Robert Mayes
Address Norfolk Pension Fund
4th Floor Lawrence House
5 St Andrews Hill
Norwich NR2 1AD
Email robert.mayes@norfolk.gov.uk
Telephone 01603 222870

[Date]

This letter of representations is provided in connection with your audit of the financial statements of Norfolk Pension Fund (“the Fund”) for the year ended 31 March 2020.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2019 to 31 March 2020 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records (See Note B)

A1. That we have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

A2. That we confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

A3. That we acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

A.4 That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

A5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error.

A6. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on your system of internal controls.

A7. We believe that the effects of any unadjusted audit differences, summarised in note 5 to the financial statements and the Audit Results Report, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

i) Investment assets were understated by £13.722M, the valuation of private equity held by HarbourVest Partners and Aberdeen Standard Investments being estimated at £222.058M and the actual year end valuation (received in July 2020) being £235.780M. This was not adjusted for in the accounts as it was not deemed to have a material overall impact.

B. Non-compliance with laws and regulations including fraud

B1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

B2. We acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

B3. We have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.

B4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

B5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

B6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund'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 Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- 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

C1. We have provided you with:

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

C2. That you have been informed of all changes to the Fund rules.

C3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.

C4. We have made available to you all minutes of the meetings of the Pensions and Audit Committees held through the year to the most recent meetings on the following dates: 1st October 2020 for the Pensions Committee and 15th October 2020 for the Norfolk County Council Audit Committee.

C5. We confirm the completeness of information provided regarding the identification of related parties.

C6. We have disclosed to you the identity of the Fund'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 period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

C7. We have disclosed to us, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

C8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

C9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

C10. That from the date of our last management representation letter to you, through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

D1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.

D2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

D3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent.

D4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

E1. As described in note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

F1. We acknowledge your responsibility for the preparation of the other information. The other information comprises The Norfolk Pension Fund Annual Report and Accounts 2019/2020.

F2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

G1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

H1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

H2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

I1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

J1. The latest report of the actuary Hymans Robertson as at 31st March 2019 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

K1. We agree with the findings of the specialists that we have engaged to value Private Equity Investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates - Valuation of Investments

L1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020).

L2. We confirm that the significant assumptions used in making the valuation of investments appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

L3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete including the effects of the COVID-19 pandemic on the valuation of investments and made in accordance with the applicable financial reporting framework.

L4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going Concern

M1. That note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

N. Specific Representations

N1. You do not require any further specific representations in addition to those above.

Yours faithfully,

____

(Executive Director of Finance and Commercial Services)

____

(Chairman of the Pensions Committee)

____

(Chairman of the Audit Committee)

Audit Committee

Item No. 8

Decision Making Report title:	**Norfolk Audit Services Report for the Quarter ending 30 September 2020**
Date of meeting:	**15 October 2020**
Responsible Cabinet Member:	**Not applicable**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services**
Is this a key decision?	**No**

Executive Summary

The Section 151 Officer has a duty to ensure there is proper stewardship of public funds and that relevant regulations are complied with.

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.

The Council has an approved Business Plan, 'Together, for Norfolk' setting out a clear set of priorities. Internal Audit's work will contribute to these new priorities through the activity set out in supporting Service Plans.

The Covid-19 outbreak, which started in late 2019 and developed rapidly during early 2020, meant that the Council deployed the Civil Contingencies Act 2004 [1] provisions and in order to follow government guidance on remote working and social distancing suspended Council meetings. In May the Council successfully deployed remote Council meetings for Cabinet and Scrutiny meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution. Business and officer meetings, briefings, communication and training continued successfully in a virtual format exploiting and leveraging the Council's Microsoft TEAMs facilities. The system has shown capacity for over 3,000 simultaneous remote users. The Government passed a Coronarvirus Act 2020 in March 2020 and has subsequently issued supporting regulations. The Council has participated in the Norfolk Resilience Forum and held effective Gold and Silver meetings daily throughout the peak of the outbreak, including for risk management. A detailed report on the Covid-19 response and the financial implications was reported to Cabinet on Monday 11 May 2020. The report can be found at this link.

The Chief Internal Auditor reviews the effectiveness of the system of internal control, including risk management, throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reports that, the system of internal control, including the arrangements for the management of risk during 2019-20, was acceptable and therefore considered sound.

Note 1: Councils are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the Covid-19 outbreak. As part of the local resilience forum councils work with local partner organisations to plan and activate emergency responses and there are established officer-led processes for leading the strategic (gold), tactical (silver) and operational (bronze) responses under the 2004 Act.

Recommendation

- **To consider and agree the key messages featured in this quarterly report, that the work and assurance meet their requirements and advise if further information is required**

1. Background and Purpose

1.1 The Council must undertake sufficient internal audit coverage to comply with the Accounts and Audit Regulations (England) 2015, as amended. The allocation of audit time was based on a risk assessment and this is continuously reviewed throughout the year.

1.2 This report supports the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The purpose of this report is to update the Audit Committee on the progress with the delivery of the internal audit work and to advise on the overall opinion on the effectiveness of risk management and internal control. The report sets out the work to support the opinion and any matters of note.

2. Proposals

2.1 The Audit Committee are recommended to consider and agree:

- the key messages below
- that the work and assurance meet their requirements and advise if further information is required

2.2 The key messages are as follows: -

<u>2019/20 Opinion work</u>

- Our current position as at 30th September 2020 on 2019/20 audits is shown in the table below and the final reports issued quarter 1 and 2 2020/21 are shown at **Appendix A** with a summary of the audit objectives and actions where the opinion was ‘Key issues – red or amber’.

Status	Number
Final reports	25
Draft reports	4
WIP	0
Not started	1 (to be c/fwd into 2020/21 Audit Plan
Total audits	30

<u>2020/21 Opinion work</u>

- Three members of our Team have been assisting Budgeting and Accounting with Adult Social Services' Covid-19 recharges. That work has now finished.

- Principal Client Managers have continued to meet with directorates and departments to discuss their 2020/21 audit plans and whether these are still relevant and what else we could usefully look at, bearing in mind their response to and involvement with Covid-19 activities. **Appendix B** details the audits that have been agreed which are considered relevant to continue with in 2020/21. To avoid any potential audit burden and impact due to responses to the ongoing Covid-19 situation, those audits are grouped into four risk assessed categories as follows:

  - Opinion Work (Final, Draft or work which is well progressed)
  - Audits which would be deferred if it is deemed to hinder the delivery of front-line services
  - Audits which would be deferred if it is deemed to hinder the delivery of back office functions
  - Audits which could be deferred until 2020/21 as considered a lower priority

  The situation will be monitored and reported back to the Committee during the year.

Information Governance

- An external review of our Information Management governance framework arrangements was undertaken during January and February 2020 by SOCITM Advisory. A robust action plan has been agreed to strengthen our information governance, sponsored by the Executive Director Strategy and Governance and the Director of Governance and will be monitored via the Corporate Board. Good progress has been made with implementing the deliverables within the agreed action plan and IMT have provided a Project Manager to focus on the IMT deliverables. An Information Governance Steering Group has been established with formal reporting from October 2020. A six-month review update is scheduled for Corporate Board (January 2021). NAS are keeping a watching brief on the implementation of the deliverables with updates from the Head of information Governance.

2020/21 Grant Certifications

- The grant certifications completed in the first half of the year are detailed in **Appendix C**.

Other work

- We will also be completing some assurance work on the claims made under the Local Government Income Compensation Scheme for Lost Sales, Fees and Charges and on the social care charges, claimable through the Discharge to Assess Scheme to the NHSE via the CCG, which commenced on 9th March 2020 and ceases on 31st March 2021.

2019/20 & 2020/21 Traded Full School Audits

- We still have two 2019/20 draft reports to be finalised with schools.
- We recognise the ‘No Additional Burden’ policy for schools. No traded full school audits have been completed so far in 2020/21. The Assistant Director – Education has agreed that focussed (risk assessed) traded full school audit visits can recommence post the October half term. Plans for visits will be made prior to then.

Overall Opinion

- This quarterly NAS report confirms that the overall opinion on internal controls and risk management remains acceptable.

  (N.B.: - three descriptors can be used for our overall annual opinion: acceptable - green, key issues to be addressed – amber and key issues to be addressed – red)

High Priority Findings

- The progress with resolving the three corporate High Priority findings is acceptable.

FCE

- There is satisfactory progress of the Audit Authority work for the France Channel England Interreg Programme.

Fraud

Anti-Fraud, Bribery and Corruption Update

- Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Corruption work across all of NCC’s services. The aim is to protect the public purse, NCC, its staff and its service users from corrupt activities that would undermine NCC’s aims and objectives of meeting public service requirements.
- The NAS Anti-Fraud, Bribery and Corruption Policy, Strategy and activity plan sets out and provides information on NCC’s response to the document ‘Fighting Fraud and Corruption Locally (FFCL), The local government counter fraud and corruption strategy for the 2020’s’.
- During the reporting period and throughout the 2020 financial year, work in this area has been focused on reactive engagements and investigations, all of which remain ongoing at the point of reporting.

COVID19 Fraud

- The Government has made provision for various types of financial support during the pandemic that were operated through different public bodies and authorities. The County has administered some of that funding, as appropriate.
- The Council is alert to the fraud risks associated with such emergency funding. For example, in September it was widely publicised that nationally up to £3.5bn in Coronavirus Job Retention Scheme payments may have

been claimed fraudulently or paid out in error.

- Norfolk Audit Service remains alert to the emerging fraud risks highlighted as the current state of the pandemic progresses. To date, one report has been received by NAS that may indicate a link to COVID19 financing, via the County Council, which is being progressed. Any significant findings will be reported to the Audit Committee.

Whistleblowing

- The Chief Legal Officer and Chief Internal Auditor champion the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures on whistleblowing. It is important to create a culture of confidence for employees to report those concerns, track the outcome of whistleblowing reports, provide feedback to whistle-blowers and take reasonable steps to protect whistle-blowers from victimisation. Not all reported concerns will fall within whistleblowing law, but they are all taken seriously.

- Norfolk Audit Service is responsible for receiving and progressing all disclosures made to the Council under the NCC Whistleblowing Policy. During the reporting period four referrals have been received internally in th areas of adult social care financing, highways, the use of social media and procurement. All cases are being dealt with in accordance with procedures.

- A review of the current policy and procedures is planned for the final quarter of the financial year.

Other

- Internal Audit's mission is to enhance and protect organisational value by following Public Sector Internal Audit Standards (PSIAS). CIPFA Services were commissioned to undertake an external quality assessment in early 2017. An independent external quality assessment of how the Public Sector Internal Audit Standards (PSIAS) are being met by us is required every five years and our next review is not be due until 2022. Self-review against the PSIAS is ongoing in the meantime, and the results will be reported to Audit Committee in our Annual Report.

- Technical notes are at **Appendix D** for reference.

3. Impact of the Proposal

3.1 The Accounts and Audit Regulations 2015 (as amended in 2020) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS).

3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's Strategic Ambitions and core role as set out in the County

Council's Business plan, 'Together, for Norfolk'.

3.3 The internal audit plan will be delivered within the agreed NAS resources and budget. Individual audit topics may change in year which will result in the higher risk areas being include in the plan to inform the annual audit opinion.

3.4 As a result of the delivery of the internal audit plan and audit topic coverage, the Committee, Executive Directors, Senior Officers and Managers will have assurance through our audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1. Not applicable.

5. Alternative Options

5.1. There are no alternative options.

6. Financial Implications

6.1. The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1. **Staff:**
There are no staff implications other than we are pleased to welcome a new Trainee Auditor to the team from 21st September 2020 that is an apprenticeship role.

7.2. **Property:**
There are no property implications

7.3. **IT:**
There are no IT implications

8. Other Implications

8.1. **Legal Implications:**
There are no specific legal implications to consider within this report

8.2. **Human Rights implications**
There are no specific human rights implications to consider within this report

8.3. **Equality Impact Assessment (EqIA) (this must be included)**
No implications

8.4. **Health and Safety implications** (where appropriate)
There are no health and safety implications

8.5. **Sustainability implications** (where appropriate)

There are no sustainability implications

8.6. **Any other implications**
There are no other implications

9. Risk Implications/Assessment

9.1. Not applicable

10. Select Committee comments

10.1. Not applicable

11. Recommendation

11.1. See Action Required in the Executive Summary above.

12. Background Papers

12.1. Internal audit strategy, our approach and 2019-20 audit plan
Internal audit terms of reference (Charter)
Section C Financial Regulations

Officer Contact
If you have any questions about matters contained in this paper, please get in touch with:

Officer name: **Adrian Thompson** **Tel No.:** **01603 222784**

Email address: **Adrian.thompson@norfolk.gov.uk**

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Norfolk Audit Services
Final Reports Issued in the Quarter ending 30 September 2020

NOTE: This report is for audits completed to the 30 September 2020. Any audits completed up to the Audit Committee meeting will be reported verbally at the meeting.

Final Reports: - Issued in Quarter 1 and 2020/21

2020/21 Audit Plan: -

Opinion Work

1. Highways Asset Management Strategy - Acceptable

2019/20 Audit Plan: -

Opinion Work

1. **Looked After Children** (Transformation Programme) - Acceptable
2. **Onboarding and Induction** (Advisory Work) - no opinion
3. **IT Data Sharing Agreements** (Key Issues – Red)

   Audit Objectives: -

   1. To provide assurance that for systemic and one-off data sharing NCC have implemented technical and organisational measures and have data sharing agreement in place that comply with the ICO guidance checklist, are regularly reviewed and updated, have assigned owners and are included on the data sharing agreements register.

   Robust action plans are in place to address our recommendations as follows: -

   a) A corporate register of all data sharing agreements is being developed.

   b) Roles and responsibilities, within the Information Compliance Team and directorates, are being clearly defined to support the system for recording, managing and overseeing data sharing agreements.

   c) Information and records management support roles in business areas to help staff manage their information and records and champion good practice are being established.

   d) Mechanisms to support maintaining an audit trail of all one-off data sharing requests are being defined and embedded across all directorates.

   e) Membership of the Information Compliance Group is being refreshed.

   f) A refresh of data sharing agreement policies and procedures are being refreshed by the Information Compliance Team.

   It should be noted that action plans are incorporated into the wider Information management governance actions plans following the review of our Information management governance framework undertaken by SOCITM Advisory (section 2.2).

Ormiston Families (contract management) – Key issues – Amber
Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the contract management controls in place to deliver the objectives and goals in respect of the contract with Ormiston Families, and that these controls are in accordance with the contract requirements and are appropriate.
2. To provide assurance on the current status of the transformation plans to ensure service continuity beyond October 2020.

Robust action plans are in place to address our recommendations as follows: -

a) Outstanding items in the Improvement Action Plan (IAP) have had new timescales set and is reviewed monthly at the IAP meeting.

b) The service specification has been updated with clear KPIs and targets as part of the contract extension.

c) Performance reporting is now aligned with the KPIs and is monitored quarterly at the IAP meetings.

d) Quality reviews are being reinstated from September 2020 and will be supported by the Quality Team from the CCG.

e) A deep dive on data quality is planned for September 2020 and actions will inform changes and improvements to the current service.

f) Performance data uploads are now being received as scheduled.

g) The terms of reference for the IAP meeting have been updated and the extended governance structure is being reviewed by the County and Council and the CCG in view of the extended role of the Alliance Board.

h) A signed Memorandum of Understanding is in place with the Alliance Board.

i) When the new Alliance Agreement is put in place in April 2021, will include how the agreement will be monitored and any required remedial actions enforced.

Management letters

1. None.

School Traded Audits

1. None.

Norfolk Pension Fund

1. None.

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
Opinion Work (Final, Draft or work which is well progressed)				
CES Highways Asset Management Strategy – Final Report Issued	Service risk	5	Assurance over the annual self-assessment assurance process - DfT Incentive Fund.	Growing Economy
CP Asset and Property Disposals at Auction – Draft Report Issued	Financial risk	15	Assurance that the controls to manage the auction process are appropriate and working in practice.	Growing Economy
IMT Data Centres – Draft Report Issued	IT Service risk RM14140	15	Assurance on the controls in place to manage and operate the two data centres including environment control, fire protection, access and physical security.	N/a
IMT Service Performance – Draft Report Issued	General IT and Service Delivery risk	30	Assurance on the controls in place to ensure the service desks are delivering within expected SLAs and that these are being effectively managed and monitored.	N/a
CPT Procurement (NPS & Norse) – in progress	Financial risk	20	Assurance that the controls in place for procurement are appropriate and working in practice, including the checks completed on bidders and the oversight of NPS and Norse by County Council of their procurement activities.	N/a
CES Third River Crossing Part 1 – in progress	Project risk RM024	20	Review and challenge of the 'Total of the Prices' as part of the contractor's tender submission.	Strong Communities

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
Audits which would be deferred if it is deemed to hinder the delivery of front-line services				
IMT Disaster Recovery – in progress	IT Service risk RM14142 / corporate risk RM010 and RM016	15	Assurance on the controls in place to recover systems and to continue to communicate and share information internally and externally in the event of a disaster, taking into account the new systems coming onboard.	N/a
FES Payments to Clients – in progress	Financial risk	30	Assurance that the controls to manage payments to clients are appropriate and working in practice	Thriving People
ASS Social Care Centre for Excellence (SCCE) – in progress	Service risk	15	Assurance that the process is working in practice.	Thriving People
CHS Transition of 16-17-year olds to independence - in progress	Service risk	15	Assurance on the process that 16-17-year olds follow to achieve independence, including the sufficiency and adequacy of accommodation for this group of people.	Thriving People
CES Castle Keep Project Build – not started	Project risk	20	Assurance on the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.	Strong Communities
ASS Follow up of Transforming Care Programme audit recommendations – in progress	Service risk	10	Follow Up of previous recommendations (2018/19).	Thriving People

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
ASS Continuing Health Care (CHC) (New to Audit Plan) – not started	Service risk	20	Assurance that our policy follows what is legally required and is being followed in practice.	Thriving People
CHS Foster Carers' Monies – not started	Service risk	15	Assurance that the monies provided to Foster Carers is spent on foster children.	Thriving People
CHS SEND Capital Programme – not started	Corporate risk RM030	20	Assurance on the controls to deliver the capital programme on time and to budget.	Thriving People
ASS Discharge to Assess - not started	Service risk	20	Assurance that our policy is aligned with national process and is being followed in practice.	Thriving People
CHS Transformation Programme (SEND and Social Care) – not started	Corporate risk RM030	20	Assurance on the controls in place to ensure that the transformation programme is well governed, managed and monitored to deliver the expected benefits and savings.	Thriving People
Audits which would be deferred if it is deemed to hinder the delivery of back office functions				
HR PDPs – in progress	HR risk	20	Assurance that quality PDPs are being developed with staff and in accordance with the guidance.	
H&S DSE Assessments – in progress	H&S risk	25	Assurance that employees are complying with the requirements of this policy and that managers are monitoring compliance.	

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
FES Financial Assessments – not started	Financial risk	20	Assurance that the controls to assess the financial status of potential clients are appropriate and operating in practice.	Thriving People
Audits which could be deferred until 2020/21 as considered a lower priority				
IMT Digital Norfolk Transformation Programme (Smarter Working, LAN / Wifi) – in progress	General IT risk	25	Assurance on the controls in place to ensure that the transformation programme is well governed, managed and monitored to deliver the expected benefits and savings.	Strong Communities
CES Third River Crossing Part 2 – not started	Project risk RM024	10	Assurance on the operation of the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.	Strong Communities
CES NCC Environmental Policy – not started	Departmental risk	15	Assurance that the newly agreed environmental policy is well governed, managed and monitored to deliver the expected deliverables.	Strong Communities
CES Scottow Enterprise Park (SEP) – not started	Service risk	20	Assurance that effective governance arrangements are in place to manage and monitor the SEP, and that the purpose of the SEP is being delivered.	Growing Economy
FIN Financial Management Code – not started	Financial risk	15	Assurance over the preparedness for the new Financial Management Code.	N/a

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
FIN Treasury Management – not started	Financial risk	15	Assurance that the controls to manage the County Council's financial investments are appropriate and operating in practice taking into account the Treasury Management Code.	N/a
Proc Public Services (Social Value) Act 2012 & Processing Agreements – not started	Data Protection & legislation risk	15	Assurance that processing agreements are in place between us as the Data Controller and those we contract with who are Data Processors. Assurance that we have complied with the requirements of the Public Services (Social Value) Act to consider and consult regarding social value when procuring contracts above the relevant Public Contract Regulation threshold.	N/a

KEY: -
ASS – Adult Social Services
CHS – Children's Services
CES – Community and Environmental Services
FES – Financial Exchequer Services
FIN – Finance
CP – Corporate Property
Proc – Procurement
H&S – Health and Safety
HR – Human Resources
IMT – Information Management Technology

Appendix C

Grants certified up to quarter ending 30 September 2020

LGA	EU	Other
Fire (June 20)	Endure (P/e June 20)	Norse (P/e March 20)
Blue Badges (July 20)	CATCH (P/e July)	Sheringham Community Primary School - Teaching School Core Grant
Transforming Cities Programme (Oct)	PROWAD (P/e Aug 20)	Sheringham Primary National Teaching School – Emergency Fund
Transforming Care (June 20)		Family Focus (P/e Jun 20)
A140 Hempnall Roundabout (Sep 20)		Family Focus (P/e Sep 20)
CES		Police & Crime Panel (P/e March 20)
LA Bus subsidy (Sep 20)		Local Full Fibre Network (Instalments 1 & 2)
Disabled Facilities (Oct 20)		Police Crime Panel (P/e August 20)
		Income Compensation Scheme for Lost Sales, Fees and Charges
		Pre-financing Payments for FCE Programme

Appendix D

Technical Notes

Work to support the opinion

Our work contributes to the Local Service Strategy (page 5) and the Finance and Commercial Services Department functions for Finance and Risk Management (page 7). Internal Audit's role is described on page 12 of that plan.

My opinion, in the Executive Summary, is based upon:

- Final reports issued in the period (**Appendix A**)
- The results of any follow up audits
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

Audits of Note

No audits of note were completed during the period.

Corporate High Priority Findings

The progress with resolving the Corporate High Priority Findings is acceptable. A more robust process has been put into place to ensure NAS undertake follow up audit work on Corporate High Priority Findings which should result in speedier sign off of these. Previously reliance was placed on departmental owner's confirmation that satisfactory action has been taken.

France (Channel) England (FCE) Update

Good progress has been made against the delivery of the audit plan.

Audit Committee

Item 9

Decision making report title:	**Risk Management**
Date of meeting:	**15th October 2020**
Responsible Cabinet Member:	**N/A**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services**
Is this a key decision?	**No**

Executive Summary

This report references the corporate risk register as it stands in October 2020, following the latest review conducted during September 2020.

A summary of significant changes to corporate risks since they were last issued to this Committee has been included in **Appendix A** for information purposes. The latest corporate risk heat map for the generic corporate risk register is included in **Appendix B** providing a visual summary of corporate risks. Full details of the current generic corporate risks are included in **Appendix C**, including further explanation on risk scoring for those risks identified at the last Committee.

Risk management continues to play an active role in the Council's response to the ongoing COVID-19 pandemic. Both operational and strategic risks continue to be managed through the Council's Recovery Group. Many areas of the Council are now moving into a recovery phase with services and Council premises beginning to re-open where temporarily shut during the early months of the pandemic. Risk assessments have been carried out for services re-opening to ensure that they are safe and sustainably run.

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Recommendations

To consider and agree;

a. The key messages as per section 2.1 of this report
b. The key changes to the generic corporate risk register **(Appendix A)**,
c. The corporate risk heat map **(Appendix B)**
d. The latest generic corporate risks (**Appendix C)**;
e. Scrutiny options for managing corporate risks **(Appendix D)**
f. Background Information **(Appendix E)**

1. Background and Purpose

1.1 One of the Audit Committee's roles is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register as a tool for managing the biggest risks that the Council faces, helps the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives and is a key part of the performance management framework.

1.2 The risk reviewers have reviewed and updated the risks where there have been changes to note since the last report was issued in August 2020, and these have been agreed by the risk owners (for the most part Executive Directors), Corporate Board, and at time of writing are being reported to Cabinet on 5th October 2020.

2. Proposals

- The key corporate risk messages are as follows:

    - That corporate risk management continues to be sound and effective, working to best practice, and continues to feature prominently within the COVID-19 conversations taking place across the Council. The Risk Management Officer recently attended the virtual 2020 Alarm conference, where webinars relating to key risk areas were delivered.

    - It is proposed to split risk RM003 into two parts, covering information compliance in part a) and information security in part b).

    - For risk RM004, it is proposed to reduce the risk score for this risk.

    - For risk RM007, it is proposed to de-escalate this risk from corporate to departmental level.

    - It is proposed to split risk RM022 into two parts; part a) relating to Human Resources (e.g. staff, legal implications), and part b) relating to Growth and Development (e.g. external funding for projects)

    - Risk RM032a has been updated to incorporate the areas of current high risk noted within the corporate COVID-19 operational risk register.

    - It is proposed to close part b) of risk RM032 relating to the Council's supply chain, as this has stabilised for the key supply areas covered in the risk.

3. Impact of the Proposal

- Risk management plays a key role in managing performance and is a requirement in the Accounts and Audit Regulations 2015. Sound risk management helps ensure that objectives are fulfilled, that resources and assets are protected and used effectively and efficiently. The responsibilities for risk management are set out in the Financial Regulations, which are part of the Council's Constitution.

4. Evidence and Reasons for Decision

- Not applicable as no decision is being taken.

5. Alternative Options

- There are no alternatives identified.

6. Financial Implications

- With the COVID-19 pandemic there will be major financial implications to consider. Whilst all corporate risks will have varying degrees of financial implication associated with them, the key generic risks with a financial consideration are RM002, RM006, RM023, RM031, and RM032a.

7. Resource Implications

- **Staff:** The imminent risk of COVID-19 impacting on staff can be seen within risk **RM032a - Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery),** with all office-based staff able to work from home doing so for the foreseeable future. Whilst there are undoubtedly some negative connotations to the disruption caused by COVID-19, there are also opportunities to consider around how staff resource can be best utilised to harness efficiencies with different ways of working that break with tradition.

- **Property:** With many services re-opening, risk assessments have been instrumental in ensuring that properties where face to face services are delivered from are able to re-start in a safe and sustainable manner going forward.

- **IT:** There are no specific major IT risk implications to consider within this report other than as part of **RM010 - The risk of the loss of key ICT systems including: internet connection; telephony; communications with cloud-provided services; or the Windows and Solaris hosting platforms.**

With a greater reliance on IT to support working remotely, IMT continue to closely monitor any national / international cyber threats.

8. Other Implications

- **Legal Implications**

  There are no specific legal implications to consider within this report.

- **Human Rights implications**

  There are no specific human rights implications to consider within this report.

- **Equality Impact Assessment (EqIA) (this must be included)**

  None applicable.

- **Health and Safety implications** (where appropriate)

  There are health and safety risk implications as set out in the corporate risk **RM032a - Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery).** Mitigations are in place to ensure that the health, safety and wellbeing of all Council staff continues as a top priority to ensure that services can be delivered in a safely adapted manner to service users.

- **Sustainability implications** (where appropriate)

  There are no specific sustainability implications to consider within this report over and above the implications of COVID-19 on a sustainable new way of living and working for the foreseeable future. Any sustainability risks identified as part of the Council's Environmental Policy (page 58) will be recorded and reported appropriately.

- **Any other implications**

  There are no other risk implications to consider within this report.

9. Risk Implications/Assessment

- The risk implications are set out in the report above, and within the risks themselves at **Appendix C**.

10. Select Committee comments

- There are no recent Select Committee comments to note within this report.

11. Recommendations

To consider and agree:

- The key messages as per section 2.1 of this report
- The key changes to the generic corporate risk register **(Appendix A)**,
- The corporate risk heat map **(Appendix B)**
- The latest generic corporate risks (**Appendix C**);
- Scrutiny options for managing corporate risks **(Appendix D)**
- Background Information **(Appendix E)**

12. Background Papers

There are no further background papers to note, other than those already linked within the body of the report.

Officer Contact

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

Officer name:	**Tel No.:**
Adrian Thompson	**01603 222784**
Thomas Osborne	**01603 222780**

Email address:

adrian.thompson@norfolk.gov.uk

thomas.osborne@norfolk.gov.uk

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Appendix A

Key Changes to Corporate Risks

The quarterly review of the corporate risk register has generated changes. These are captured below as follows;

Risk Number	**Risk Score Change**	**Risk title Change**	**Risk Description Change**	**Mitigations Change**	**Risk Owner Change**	**New / Adapted Corporate Risk**
RM001						
RM002						
RM003a	✓	✓	✓	✓	✓	✓
RM003b	✓	✓	✓	✓	✓	✓
RM004	✓					
RM006						
RM010						
RM013						
RM022a		✓	✓			✓
RM022b		✓	✓			✓
RM023						
RM024						
RM026						
RM027						
RM028						
RM029						
RM030						
RM031						
RM032a				✓		

Existing Risk Adaptations

RM003 – Potential for failure to comply with information compliance and information security requirements

There is a proposal to split this risk into two parts to separate information compliance from information security, which are two distinct risk areas requiring individual mitigation.

New risks proposed are;

RM003a – Failure to comply with statutory information compliance requirements

RM003b – Failure to comply with relevant information security requirements

RM022 – Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff ('Brexit')

There is a proposal to split this risk into two parts to recognise the risk areas of staff and services separately to the risk areas of external funding and growth and development of Norfolk businesses.

New risks proposed are;

RM022a - Implications of Brexit for Council staff and services

RM022b - Implications of Brexit for external funding / Norfolk businesses

Risk De-escalation

RM007 - Risk of inadequate data quality resulting from poor data governance, leading to poor decisions being made affecting outcomes for Norfolk citizens

There is a proposal to manage this risk at a departmental level on departmental risk registers instead of at a corporate level on the corporate risk register, as departments own the data that they use to inform key decisions. The risk will be tailored to each department's data requirements.

Proposed Risk Score Changes

RM004 - The potential risk of failure to deliver effective and robust contract management for commissioned services

Proposed reduction from current score of 12 to 9 (impact reduced from 4 to 3). This is due to the contract pipeline reporting to Corporate Board and discussions with departments/senior managers being established, and internal audits of the contract management control environment in the three service directorates carried out with no major findings for improvement identified.

Proposed Score Changes (cont.)

RM003a - Failure to comply with statutory information compliance requirements

RM003b - Failure to comply with relevant information security requirements

RM003a – Risk score reduced from 12 to 9 (impact lowered from 4 to 3) owing to progress made against SOCITM report recommendations which reduces the impact of failing to comply with statutory information compliance requirements.

RM003b - Risk score reduced from 12 to 9 (impact lowered from 4 to 3) due to improved measures that have been implemented but acknowledgment that further activities would reduce the risk further, with numerous new challenges in a COVID-19 landscape.

<u>Proposed mitigation changes</u>

RM032a - Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)

Mitigations have been amended to reflect the key current higher risk areas relating to staff, service users, and service delivery captured in the COVID-19 operational risk register.

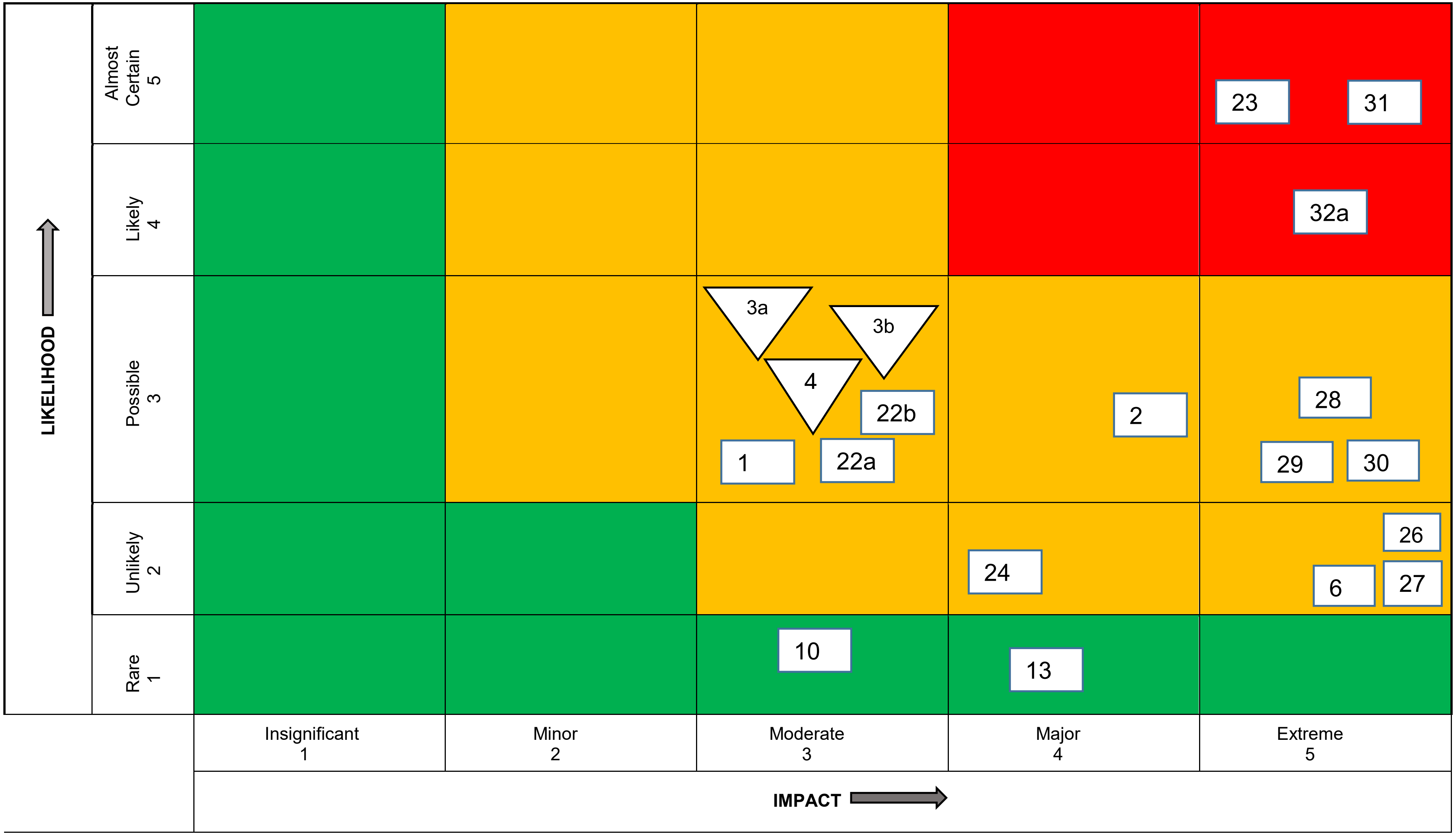
<u>Proposed Risk Closure</u>

RM032b – Effect of COVID-19 on supply chain

It is proposed to close part b) of risk RM032 relating to the Council's supply chain, as this has stabilised for the key supply areas covered in the risk, including vehicle parts, IMT hardware, and PPE. The current risk score has been reduced accordingly from 8 to 4.

Appendix B

Generic Corporate Risks - Heat Map



Key △ = Risk score increase ▭ = no score change ▽ = risk score decrease

No.	Risk description	No.	Risk Description
RM001	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan.	RM022a	Implications of Brexit for Council staff and services
		RM022b	Implications of Brexit for external funding / Norfolk businesses
RM002	The potential risk of failure to manage significant reductions in local and national income streams.	RM023	Lack of clarity on sustainable long-term funding approach for adult social services at a time of increasing demographic pressures and growing complexity of need.
RM003a	Potential for failure to comply with statutory information compliance requirements.	RM024	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023).
RM003b	Potential for failure to comply with relevant information security requirements		
		RM026	Legal challenge to procurement exercise.
RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	RM027	Risk of failure of new Human Resources and Finance system implementation.
RM006	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.	RM028	Risk of failure to monitor and manage health and safety standards of third-party providers of services.
		RM029	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term.
RM010	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.	RM030	Non-realisation of Children's Services Transformation change and expected benefits.
		RM031	NCC Funded Children's Services Overspend
RM013	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions	RM032a	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)

Appendix C

Risk Number	RM001	**Date of update**	08 September 2020
Risk Name	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	03 June 2019

1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • Congestion, delay and unreliable journey times on the transport network • A lack of the essential facilities that create attractive conditions for business activity and investment, and sustainable communities, including good connectivity, public transport, walking and cycling routes, open space and green infrastructure, and funding for the infrastructure necessary to enable the county council to perform its statutory responsibilities, eg education. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	3	2	**6**	Mar-21	**Amber**

Tasks to mitigate the risk

1.1) Work with other county council officers and partners including government, local enterprise partnerships and district councils to compile evidence and the case for investment into infrastructure in order to achieve success through bidding rounds for capital investment.
1.2) Identify and secure funding including Pooled Business Rates (PBR) to develop projects to a point where successful bids can be made for funding through compiling evidence and cases for investment.
1.3) Engage with providers of national infrastructure – Highways England for strategic (trunk) roads and Network Rail for rail delivery – to ensure timely delivery of infrastructure projects, and work with partners on advocacy and lobbying with government to secure future investment into the networks.
1.4) Review Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers.
1.5) Continue to build the relationship with strategic partners including elected representatives, government departments, local enterprise partnerships, regional bodies such as Transport East (the emerging Sub-National Transport Body) and other local authorities to maximise opportunity and work together in the most effective joined-up manner.
1.6) Periodically review timescales for S106, and other, funding contributions to ensure they are spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions.

Progress update

Progress update
Overall: Impact of Covid-19 likely to affect funding streams in both the short and longer-term. 1.1) DfT has approved NWL to progress to the next stage of development the Department has made a contribution of £1,024,000 towards the costs of developing an Outline Business Case. Continuing to progress work on Long Stratton Bypass, West Winch Housing Access Road and A47/A14 Pullover Junction King's Lynn. Strategic Outline Business Case for Transforming Cities funding submitted at the end of May. 1.2) Developing schemes and projects including the following, part-funded from Pooled Business Rates: King’s Lynn Transport; Norwich Western Link; West Winch Housing Access Relief Road. 1.3) Re-evaluating A47 Alliance work following government announcement of the roads programme in the budget, with no further A47 investment announced. Continuing to work Great Eastern Main Line (Norwich to London): Network Rail have produced a draft study setting out infrastructure constraints for Norwich in 90 services. Local authorities study on wider economic benefits progressing and now in final draft form. Continuing to work on Ely Task Force: Network Rail has produced a business case for infrastructure improvements required to unlock a range of additional passenger and freight services. Continuing to support East West Rail Consortium: Eastern Section prospectus published. 1.4) Review of Planning Obligations Standards completed, current standards adopted by Cabinet in September 2019. Government review of planning system (consultation) published in August 2020. County Council proposed response to be agreed at October 2020 Cabinet. 1.5) Continuing to work with Transport East on transport strategy; liaising with DfT, Network Rail and Highways England on strategic road and rail schemes; attending wider partnership groups including LEP Transport Board.

Appendix C

Risk Number	RM002	**Date of update**	08 September 2020		
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams				
Portfolio lead	Cllr. Andrew Jamieson	**Risk Owner**	Simon George		
Risk Description		**Date entered on risk register**	31 May 2019		

This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2018/19- 2021/22 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website. Overall risk treatment:Treat

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	4	**8**	Mar-21	**Amber**

Tasks to mitigate the risk

Medium Term Financial Strategy and robust budget setting within available resources.
No surprises through effective budget management for both revenue and capital.
Budget owners accountable for managing within set resources.
Determine and prioritise commissioning outcomes against available resources and delivery of value for money.
Regular and robust monitoring and tracking of in-year budget savings by Corporate Board and members.
Regular finance monitoring reports to Cabinet.
Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants.
Plans to be adjusted accordingly once the most up to date data has been received.

Progress update

Progress update
Following the December 2019 General Election the Government announced the Final Local Government Finance Settlement for 2020-21 on 6.02.20 and after being debated in the House of Commons this was confirmed on 25.02.20. County Council on 17.02.20 approved the 2020-21 budget and future Medium Term Financial Strategy taking into account the Final Local Government Finance settlement for 2020-21. The council's external auditors gave an unqualified audit opinion on the 2018-19 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31.03.2019. The implications of the COVID-19 response, coupled with continued uncertainty and the further delay of the significant planned reforms for local government finance, represents a major challenge for the Council in developing its Medium term Financial Strategy. Cabinet on 8.06.20 considered the latest financial position and agreed the process for setting a balanced budget for 2021-22 and updated the Medium term Financial Strategy to include a further year (2024-25). Further reports will be presented to Cabinet during the year incorporating future Government funding announcements and updates on the budget planning process in order that County Council can agree the 2021-22 Budget and level of council tax at its February 2021 meeting.

Appendix C

Risk Number	RM003a	**Date of update**	08 September 2020
Risk Name	Failure to comply with statutory information compliance requirements		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Andrew Stewart
Risk Description		**Date entered on risk register**	05 June 2019

There is a risk of failing to comply with statutory information compliance requirements (e.g. under GDPR, FOI, EIR) which could lead to reputational damage and financial impact. Risk treatment: treat.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	3	**9**	2	3	**6**	Mar-21	**Green**

Tasks to mitigate the risk

1. Mandatory Training in place for all colleagues - ongoing
2. Development and monitoring of MI for responding to Data Subject Rights Requests, FOIs, EIRs and breaches - ongoing
3. Developing a positive relationship with the ICO - ongoing
4. Implementation of activities determined by the SOCITM report in March 2020 by December 2020
   •Deliverable 1: Define a clear Information Governance approach for Norfolk County Council (incorporating clear responsibilities and measures of success) by December 2020.
   •Deliverable 2: Deliver a management information suite to allow effective management, analysis and assurance of the Information Governance Service by November 2020.
   •Deliverable 3: Review all current “record management” type processes to ensure efficient, proportionate and up to date by December 2020.
   •Deliverable 4: Appoint to all roles required (including DPO, SIRO and Member lead) and ensure reflected in the constitution by October 2020.
   •Deliverable 5: Relaunch the Information Compliance Group with clear accountabilities by October 2020.
   •Deliverable 6: Review and update all Information Governance related policies, standards and procedures by October 2020.
   •Deliverable 7: Define and deliver effective Information Governance training and engagement across NCC, Members and Partners by December 2020.
   •Deliverable 8: Review and deliver identified opportunities for Smarter Working by December 2020.
   •Deliverable 9: Define a clear future vision for the Information Governance Service and resource appropriately by October 2020.

Progress update

Progress update

Head of Information Governance appointed to take forward the SOCITM recommendations and embedding the information governance agenda in NCC. This will enhance many of the mitigations to a higher standard, reducing the risk further over the next two years.

- Mandatory training on course to be updated for November 2020 which will reach all colleagues
- MI being developed to give the full picture of performance and compliance across Information Governance remit
- Significant recruitment taking place in September 2020 to enable focus on both backlog and ongoing statutory and non statutory Information related activities (e.g. DSR, EIR, FOI, Police, breaches)

Progress against implementation of deliverables from the March 2020 SOCITM report is as follows;

Deliverable 1: New Framework written and measures of success being finalised – reliance on what can be delivered under deliverable 2 before publication.
Deliverable 2: High level MI now in place to allow better management of the Service with requirements for next iteration being finalised to allow IMT to scope for delivery
Deliverable 3: Initial review completed and recommended approach now being looked at.
Deliverable 4: Paper being prepared to outline the proposed new structure for agreement and implementation.
Deliverable 5: New Terms of Reference and plan to share with ICG in September 2020 for implementation.
Deliverable 6: Review undertaken and next steps identified to ensure all accessible on myNet
Deliverable 7: New mandatory training due for delivery in November 2020 and improving relationships / profile of IG across the Council.
Deliverable 8: Progress being made on webforms to improve efficiency, Sharepoint solution for DPIA and ISA storage underway and Digital DPIA progress.
Deliverable 9: Significant recruitment undertaken – 6FTE recruited and 2FTE vacant. Future vision being discussed to ensure an effective Service.

Risk score of 9 at present due to issues identified in SOCITM report that need addressing to reduce the likelihood of the risk manifesting. The impact should anything happen would likely result in local media attention, depending on the severity of the issue.

Appendix C

Risk Number	RM003b	Date of update	08 September 2020
Risk Name	Failure to comply with relevant information security requirements		
Portfolio lead	Cllr. Tom Fitzpatrick	Risk Owner	Geoff Connell
Risk Description		Date entered on risk register	05 June 2019

There is a risk of failing to comply with relevant information security requirements (e.g. NIS, PSN, PCI-DSS) which could lead to reputational damage and financial impact. Risk treatment: treat.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	3	**9**	1	3	**3**	Mar-21	**Green**

Tasks to mitigate the risk

1. Mandatory Training in place for all colleagues - ongoing
2. Development and monitoring of MI for breaches - ongoing
3. Implementation of improved security measures - ongoing
4. External networking to ensure best practice - ongoing

Progress update

- Rollout of new Mandatory training to all colleagues in 2020
- Implementation of improved security measures e.g. E5 Licencing
- Focus on improved storage and retention to reduce risk
- Involvement with National cybersecurity organisation

Risk score of 9 at present due to improved measures that have been implemented but acknowledgment that further activities would reduce the risk further, with a number of new challenges in a COVID landscape. The impact should anything happen would likely result in local media attention, depending on the severity of the issue.

Appendix C

Risk Number	RM004						**Date of update**		08 September 2020	
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.									
Portfolio lead	Cllr. Andrew Jamieson					**Risk Owner**	Simon George			
Risk Description					**Date entered on risk register**				02 June 2019	
Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes. The council spends some £700m on contracted goods and services each year. Overall risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	3	**9**	2	3	**6**	Mar-21	**Amber**

Tasks to mitigate the risk

1) By October 2019 implement a proactive system to identify early signs of potential supplier financial failure and respond appropriately.
Next steps:
- Develop robust process to respond to CreditSafe alerts
- Develop robust process to spot other early warning signs eg late filing of accounts, media monitoring

2) Continue to report the pipeline of expiring contracts to Corporate Board every six months. Continue to discuss the pipeline of expiring contracts with CES DMT every quarter.
Next steps:
- Start to discuss the pipeline of expiring contracts with other departmental management teams or individual senior managers on a quarterly basis from quarter 3 of 2019

3) Through the contract compliance and optimisation workstream of the Smarter Workstream priority under the Norfolk Futures programme, implement measures to ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively.
Next steps:
Implement phased plan as agreed at corporate board 3 December 2019

4) Develop a standard specification for service transition that can be used as the basis for new sourcing exercises and used to manage transitions effectively by end June 2019

5) Internal audit to undertake audits of the contract management control environment in the three service directorates in second half of the financial year.

Progress update

Progress update
1) Process developed with finance to respond to CreditSafe alerts.Creditsafe contract to be reviewed to see whether it remains the best solution. 2) Pipeline reporting frequency at Corporate Board increased to quarterly and process is in place for monthly review by Director of Procurement and Executive Director of Finance 3) Contract compliance and optimisation workstream plan was approved at Corporate Board in December 2019 and phased implementation was under way, prior to COVID-19. Implementation of phased plan paused whilst efforts are focussed on the COVID-19 response. 4) Transition/handover checklist developed and in use. Mitigation implemented. 5) Internal audit has undertaken audits of the contract management control environment in the three service directorates in second half of the financial year, with no major findings to be improved. This risk is scored at 9 (likelihood 3, impact 3) due to the contract pipeline reporting to Corporate Board and discussions with departments/senior managers being established, and internal audits of the contract management control environment in the three service directorates carried out with no major findings for improvement identified. To bring this risk down to 6 by the end of the financial year will require further development of the implementation plan, and continued support to staff who have contract management as part of their job to ensure they have the relevant skills and support to manage contracts effectively.

Risk Number	RM006	**Date of update**	08 September 2020
Risk Name	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	13 June 2019

The failure to deliver agreed savings or to deliver our services within the resources available, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	1	5	**5**	Mar-21	**Green**

Tasks to mitigate the risk

1) Clear robust framework, 'Together for Norfolk - Business Plan' in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand.
2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets.
3) A robust annual process to provide evidence for Members to make decisions about spending priorities.
4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures.
5) Sound engagement and consultation with stakeholders and the public around service delivery.
6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.

Progress update

Progress update
Regular budget and performance monitoring reports to Cabinet now set out how the Council is delivering against the 2020/21 budgets and priorities set for each of our services. The Council has a robust and established process, including regular reporting to Members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about Government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports. There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2020-21 spend reported to Cabinet on a monthly basis and monitoring of COVID-19 spend reported to Corporate Board regularly. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2020-21. There will be an updated MTFS position reported to Cabinet in September, savings proposals published for consultation in October, budget setting meeting of Full Council in February, and monitoring reports taken to Cabinet in 2021-22. Work is being carried out by Departmental Leadership Teams, the Recovery Group and the Business Transformation Programme on future savings required. Savings proposals were taken to the Budget Challenge session in July and will be presented again in September for Member review and then taken to October Cabinet. The risk score is currently at 10 (Likelihood 2, Impact 5) to reflect the ongoing close scrutiny of in year spend against budget set.

Risk Number	RM010							**Date of update**	08 September 2020	
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Portfolio lead	Cllr. Tom Fitzpatrick						**Risk Owner**	Simon George		
Risk Description							**Date entered on risk register**		01 July 2019	
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of a cyber attack, loss of power, physical failure, fire or flood,or supplier failure - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: Treat.										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	3	**6**	1	3	**3**	1	3	**3**	Mar-21	**Met**

Tasks to mitigate the risk

1) Full power down completed periodically
2) Replace ageing Local Area Network (LAN) equipment
3) Ensure access to services if county hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory)
4) Implement Cloud-based business systems with resilient links for key areas
5) Replace voice services (contact center / desk phones) with cloud based Microsoft Teams
6) Review and Implement suitable arrangements to protect against possible cyber / ransonware attacks including;
7) We will be running a number of Cyber Attack exercises with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack
8) We will hold a number of Business Continuity exercises to understand and reduce the impact of risk scenarios
9) Implement new data centre to reduce the risk of power failure, loss of data connectivity and reduce ICT hardware failures

Progress update

1) Full power down completed as required by Property programme plans
2) New Local Area Network equipment has been procured and we are now implementing with County Hall.
3) Access services have been migrated to the new DR site so work can continue if County Hall unavailable
4) We Implement Cloud-based business systems with resilient links for key areas as they are procured, guidance is being refreshed regularly.
5) Contact services have been migrated to a cloud based system. Soft telephony has been successfully rolled out an an accelerated pace follwing COVID-19.
6) We are still working through the cyber audit actions which are more complex than first thought.
7) The Cyber Attack exercise with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack. We delivered an 'EXECSIM' excercise with the corporate board to ensure we are fully prepared in the event of a Cyber Attack, communications and approach at a senior level (Jan 2020). We are scheduling a National Cyber Security Centre (NCSC) 'Exercise in a box'

Progress update

session for IMT to test our approach during a cyber attack and we will follow this up with a NCSC 'Exercise in a box' exercise for the business leads, resilience team and IMT to jointly rehearse a cyber attack.

8) We have already held a Business Continuity exercise to understand and reduce the impact of risk scenarios and this will be re-run within 12 months to further reduce the risk. Large scale remote access exercise successfully carried out in February 2020, with over 3000 staff working remotely from a non-NCC based site. Since COVID-19 has resulted in the majority of the workforce working from home, the network has been able to cope effectively with a vastly increased number of users working remotely. Exercise Steel will build on the work of Exercise Horseshoe.

9) The new data centre is now live.

The score is based upon steady progress mitigating the risks and running exercises to rehearse what we do in the event of a failure.

Appendix C

Risk Number	RM013	**Date of update**	08 September 2020
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.		
Portfolio lead	Cllr. Greg Peck	**Risk Owner**	Simon George
Risk Description		**Date entered on risk register**	02 July 2019

The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incuring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2019-20. Overall risk treatment: Treat This risk is scored at a likelihood of 1 due to the strong governance in place and an impact score of 4 given the size of the controlled companies.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	**4**	1	4	**4**	1	4	**4**	Mar-21	**Met**

Tasks to mitigate the risk

1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.
The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.
The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.
2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Strategy and Governance for the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.
3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.
4) To ensure that governance procedures are being discharged appropriately to Independence Matters. The Executive Director for Finance and Commercial Services' representative attends as shareholder representative for Independence Matters.
5) Shareholder representation required from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

Progress update

Progress update
1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register. 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned LA company. The shareholder committee meets quarterly and monitors the performance of Norse. A member of the shareholder board, the shareholder representative, also attends the Norse board. 3) The Council has reviewed its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control, and a series of actions has been agreed by the then Policy and Resources Committee. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council’s interests are being protected. All County Council subsiduary limited company Directors have been approved in accordance with the Constitution. The new Chairman of Norse has initiated change with one Director looking after NCS and NPS, with a view to maximising returns back to NCC. A further strengthening of the Board is proposed with the appointment of two independent Non-Executive Directors with one vote each. As with Repton the appointments would be made through a transparent process of advertisement, interview and appointment. 4) The ED of F&CS directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution. 5) There is Shareholder representation from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

Appendix C

Risk Number	RM022a	**Date of update**	08 September 2020
Risk Name	Implications of Brexit for Council staff and services		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	00 January 1900

There are important risk implications to the Council in the following areas: The legal base – substantial change needed structured around No Deal scenario and likelihood of No Deal. Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery. Risk treatment: Treat

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	2	3	**6**	Dec-20	**Amber**

Tasks to mitigate the risk

1) Human Resources to support managers and staff who may be directly affected by this issue.
2) Understand the risks and implications of Brexit to service delivery, wider community and business continuity. This includes managing particular risks around the supply of food and fuel, to enable us to support vulnerable people.

Progress update

1) Potential loss of staff for NCC and our service providers was looked at in Feb '19 & is under constant review. Signposting to HM Govt websites was undertaken and correspondence sent to service providers. Most recent update:
- Keeping HR Direct up to date with developments to advise staff
- Refreshing employee information on peoplenet
- Undertook exercise to refresh employee data on nationality status
- Provided information to key stakeholders within social care on the pilot
- Surveyed Heads of Services/Departments regarding impacts

2) The NCC Brexit corporate risk register completed identifies all Brexit risks & mitigations & is available on Sharepoint. There is now a transition period until the end of 2020, while the UK and EU negotiate additional arrangements. The current rules on trade, travel, and business for the UK and EU continue to apply during the transition period. By 1 January 2021 we will either start a new relationship with the EU or leave without a trade deal.

The risk is scored at 9 (likelihood 3, impact 3) whilst we continue to monitor the national scenario. Planning continues in the meantime as far as possible.

Appendix C

Risk Number	RM022b						**Date of update**	08 September 2020		
Risk Name	Implications of Brexit for external funding / Norfolk businesses									
Portfolio lead	Cllr. Graham Plant					**Risk Owner**	Tom McCabe			
Risk Description							**Date entered on risk register**	00 January 1900		
There are important risk implications to the Council in the following areas: The Council's EU funded programmes supporting the local economy. Place-based impact – there will be real and varied impacts and opportunities in our local economy. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in external funding / implications for Norfolk businesses. Risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	2	3	**6**	Dec-20	**Amber**

Tasks to mitigate the risk

1) Regular meetings are taking place with the Ministry for Housing, Communities and Local Government (MHCLG) and the Department for Business, Energy and Industrial Strategy (BEIS) regarding a managed exit from EU funded programmes to ensure NCC's liabilities are met.

We have agreed the principles and framework for regional investment post Brexit to ensure the level of current funding is protected, including asking for funds to be devolved locally, so that the economic benefit of the funding is secured.

We jointly commissioned work with the LEP and Suffolk County Council to understand the business impact of Brexit within the New Anglia area and particular sectors likely to be affected, such as agriculture (potential for post-Brexit tariffs making export of some products unviable). Also, signposting to information from Government on preparations businesses should make is available at www.newanglia.co.uk.

Progress update

The Treasury Guarantee confirms that funding is assured in the event of a deal for projects committed by 31 December 2020. The Internal Project Board is aware of NCC liabilities; nplaw have drafted a Deed of Guarantee seeking written assurance from MHCLG that they will meet our liabilities in order to close the Programme. MHCLG have raised the issue with Ministers, as well as our MA status after we leave the EU. This will now fall under the detailed work around payment mechanisms following the confirmation of extended programme completion.
The Green Paper regarding the Shared Prosperity Fund has still not yet been published and is not expected until the 2020 Autumn Statement, at the earliest. We continue to work with New Anglia and other relevant partners and will report the proposals and our response to members when it has been published.
MHCLG have advised they will issue a new set of planning assumptions around a no deal Brexit in due course. NCC Brexit Silver Group and Resilience Reps looked at reasonable worst case planning assumptions in Operation Yellowhammer. Work we had done prior to the original leave date meant that we had covered these potential impacts already.

Progress update

We have raised the issue of Trading Standards (their ability to act as a National Body certified by the EU, charging for highway services) with the LGA to play into their negotiations with DExEU.
A task force has been set up, asking each Directorate to provide a summary of the risk posed to them and their service provision by Brexit. Service delivery risks involving the availability of fuel and supply of food are being managed, to ensure that the Council is prepared for any such eventualities. These two issues have been subject of individual NRF multi-agency task & finish groups. Information has been fed back to NCC Silver Group meetings and resilience reps, for them to consider impacts. Covered in full in NCC Brexit Risk Register. Our revised Business Impact Analysis requires departments to identify fuel requirements to deliver critical activities. NCC prepares the NRF Fuel Emergency Plan so we are well embedded into the process.
The NCC website now offers information for businesses and individuals, including our EU No Deal Exit Strategy https://www.norfolk.gov.uk/what-we-do-and-how-we-work/preparing-for-brexit

The risk is scored at 9 (likelihood 3, impact 3) whilst we continue to monitor the national scenario. Planning continues in the meantime as far as possible.

Appendix C

Risk Number	RM023	**Date of update**	08 September 2020
Risk Name	Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services.		
Portfolio lead	Cllr. Bill Borrett	**Risk Owner**	James Bullion
Risk Description		**Date entered on risk register**	18 August 2017

Whilst acknowledging the pressures on adult social services, and providing some one-off additional funding, the Government has yet to set out a direction of travel for long-term funding. At the same time, the pressures of demography and complexity of need continue to increase. This makes effective strategic planning highly challenging and there is a risk that short-term reductions in support services have to be made to keep within budget; these changes are likely to be counter to the long-term Promoting Independence strategy. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	**25**	5	5	**25**	2	4	**8**	Mar-22	**Amber**

Tasks to mitigate the risk

1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future.
2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care.
3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system.
4) Judicious use of one-off winter funding, as announced by Government.
5) Close tracking of government policies, demography trends and forecasts.
6) A new set of NCC corporate priorities which aims to address longer-term demand management in children’s and adult services.
7) As part of the Covid-19 recovery governance, a specific financial recovery workstream has been created to look at how we can mitigate financial risks.
8) The service is working to reinstate approaches that will enable some savings programme work to recommence.

Progress update

Progress update
1) Demand and demography modelling continues to be refined through the cost and demand model. Five main themes for transformation: Services for people with a learning disability; maximising digital technology; embedding strengths-based social work through Living Well; 3 conversations; health and social care integration and housing for vulnerable people. 2) Sector based plans for providers which model expected need and demand associated with demographic and social change 3a) Strengthened investment in prevention, through additional reablement, social prescribing, local initiatives for reducing social isolation and loneliness 3b) Workforce – continued recruitment campaign to sustain levels of front line social workers and occupational therapy staff. 3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care. 4) Close joint working with NHS, through the STP, to shape and influence future integration of health and social care 5) We are still awaiting the Green Paper on Social Care; will now review the NHS 10-year Plan and establish how this will impact on the direction of travel for health and social care. 6) Collaboration with children's services to develop a preparing for adult life service to strengthen transition experience for young people, and to improve service and budget planning. 7a) Covid-19 has caused a seismic and immediate refocus of services, process and planning. The financial consequences of this continue to emerge, but it is having a material impact on the ability to deliver the full level of planned savings in both 202021 and 2021-22. As a result, alongside the longer term delivery of Promoting Independence, the immediate priority and context for Adult Social Services' is the post-pandemic recovery – with services facing unprecedented challenges this year (2020-21) and continued uncertainty – particularly relating to demand, funding and sustainability of wider market. 7b) We continue to engage with MPs, Government Ministers and departments to promote the need for long term sustainable funding for Adult Social Care. Risks directly related to COVID-19 are detailed on the Council's strategic corporate COVID-19 risk register. We have revised the target score to be achieved by 2022 to allow for the impact of the pandemic and to allow time for the government to publish the green paper.

Appendix C

Risk Number	RM024	**Date of update**	08 September 2020
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023)		
Portfolio lead	Cllr. Martin Wilby	**Risk Owner**	Tom McCabe
Risk Description		**Date entered on risk register**	14 June 2019

There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales.
Cause: delays during statutory processes put timescales at risk and/or contractor prices increase project costs.
Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution.
Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes.
Overall risk treatment: Reduce, with a focus on maintaining or reducing project costs and timescales.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	4	**8**	2	4	**8**	2	3	**6**	Jan-23	**Amber**

Tasks to mitigate the risk

The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are:
1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings.
2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes.This will include independent audits and contract/legal advice on key contract risks as necessary.
3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board.
4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored.
5) All opportunities to be explored through board meetings to reduce risk and programme duration.
6) An internal audit is currently being carried out to provide the Audit Committee and management with independent assurance that the controls in place, to mitigate, or minimise risks relating to pricing in stage 2 of the project to an acceptable level, are adequate and effective and operating in practice.

Progress update

Progress update
The outline business case was submitted on 30 March 2017, and DfT confirmed approval of this following the autumn statement in November 2017. Progress against actions are: 1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented. A gateway review was completed to coincide with the award of contract decision making - the findings have been reported to the project board (there were no significant concerns identified that impact project delivery). Internal audit on governance report finalised 14 August 2019 and findings were rated green. Further gateway review completed summer 2020 ahead of progressing to next stage of contract (construction). 2) Specialist cost and commercial consultants appointed and continue to review project costs. The Commercial Manager will continue to assess the project forecast on a quarterly basis, with monthly interim reporting also provided to the board. No issues highlighted to date and budget remains sufficient. A further budget review was completed following appointment of the contractor. The full business case has been developed and submitted to DfT at end of September 2020 - the project is still at agreed budget. 3) An overall project programme has been developed and is owned and managed by the dedicated project manager. Any issues are highlighted to the board as the project is delivered. The start of DCO examination was 24 September 2019, with a finish date on 24 March 2020. The approval of the DCO will be confirmed on 24 September 2020. Construction is due to commence early 2021, with the bridge completed and open by early 2023. 4) Learning from the NDR the experience of commercial specialist support was utilised to develop contract details ahead of the formal commencement of the procurement process. Further work fed into the procurement processes (and competitive dialogue) with the bidders. The commercial team leads were in place from the start of the contract (January 2019) and continue in this role to manage contract administration. 5) The project board receives regular (monthly) updates on project risks, costs and timescales. A detailed cost review was delivered to the board ahead of the award of the contract (following the delegated authority agreed by Full Council), and took into account the contractors tender pricing and associated project risk updates. The project currently remains on budget and the programme to complete the works and open the scheme in early 2023 is still on track. 6) The internal audit is currently being undertaken and is expected to conclude in October 2020.

Appendix C

Risk Number		RM026						**Date of update**		08 September 2020	
Risk Name		Legal challenge to procurement exercise									
Portfolio lead		Cllr. Andrew Jamieson					**Risk Owner**	Simon George			
Risk Description								**Date entered on risk register**		04 June 2019	
That alleged breach of procurement law may result in a court challenge to a procurement exercise that could lead to delay, legal costs, loss of savings, reputational damage and potentially significant compensation Overall risk treatment: Treat											
Original			**Current**			**Tolerance Target**					
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date	
2	5	**10**	2	5	**10**	1	5	**5**	Mar-21	**Green**	

Tasks to mitigate the risk

Review processes and practice in light of recent caselaw, in particular Amey Highways Ltd v West Sussex County Council [2019] EWHC 1291 (TCC) and Lancashire Care NHS Foundation Trust & Anor v Lancashire County Council [2018] EWHC 200 (TCC).
1) At team meeting w/c 10 June 2019, remind procurement staff of need to escalate any proposal to run a procurement exercise in an unreasonably short timescale
2) Take pipeline to corporate board every six months and to directorate management teams quarterly to minimise risk of rushed procurement exercises.
3) Seek corporate board sign-off for new approach with consistently adequate timelines,fewer evaluators and greater control over choice of evaluator
4) Review scale of procurement exercises, avoid unnecessarily large exercises that increase risk and complexity and the scale of any damages claim.
5) Make incremental change to instructions to evaluators and approach to scoring and documenting rationale, and test on tender NCCT41801 in w/c 3 June 2019
6) Review standard scoring grid and test ‘offline’ on tender NCCT41830 w/c 10 June 2019
7) Review template provisional award letter w/c 17 June
8) Develop standard report to decision-maker w/c 17 June
9) Make more significant changes to instructions to evaluators and pilot new approach on a future tender.
10) Pilot new scoring grid in a future tender
11) Institute formal annual review of sourcing processes in light of developments in case law. Review each December; add to senior staff objectives.

Additional tasks identified February 2020:
12) Update HotDocs to include definitive versions of new templates - by 31 March 2020
13) Formal sign-off of updated process by Nplaw- by 31 March 2020
14) Further formal training for procurement officers - by 30 April 2020

Progress update

Progress update
1) Reminder given at team meeting - complete 2) Pipeline report frequency now quarterly. Pipeline being discussed with EDs or senior commissioners before each board - complete 3) Corporate board has signed off the new approach - complete 4) Ongoing as need to consider each procurement on a case by case basis. 5) Evaluator guidance was updated immediately. More significant changes have also now been implemented - see 9. Complete. 6) Scoring grid was updated as planned. Complete. 7) Template provisional award letter has been reviewed and updated. Complete 8) Existing reports have been reviewed and new report is being developed. Complete. 9) Evaluator guidance updated and in use as standard. Feedback from evaluators is positive. A new mechanism for capturing feedback on tenders is now in use after extensive piloting. 10) Scoring grid has now been updated and is in use as standard. - Complete 11) Added to senior staff objectives. Reviewed January 2020; no new issues identified beyond those in this risk 26 Additional tasks 12 to 14 to be implemented in March and April 2020 have been paused in the wake of managing the COVID-19 response.

Appendix C

Risk Number	RM027							**Date of update**		08 September 2020	
Risk Name	Risk of failure of new Human Resources and Finance system implementation										
Portfolio lead	Cllr. Tom FitzPatrick						**Risk Owner**	Fiona McDiarmid			
Risk Description								**Date entered on risk register**		16 August 2019	
Risk that there is a significant impact to HR and finance services through potential lack of delivery of the new HR & finance system. Overall risk treatment: Treat											

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	2	2	**4**	Sep-21	**Green**

Tasks to mitigate the risk

1) Programme has moved from procurement phase to Implementation as planned
2)Rigorous monitoring of risk accurs at Programme level on a weekly basis with significant risks escalted to Programme Board for management. Particular attention is being paid to the risk to the project of being impacted by any Covid-19 resurgence that may affect NCC and / or Implementer teams causing a delay and associated cost. Mitigation of this includes agreement to protect the project team resources such that they remain aligned to the programme (at one stage 50% of team had been moved to C-19 response)
3) Programme management team from NCC and Systems Implementer jointly develop plan with formal sign off underpinned by contractual stage payments
4) Initial impact of Covid-19 mitigated by the addition of a new transition stage into the plan
5) Programme governance revised to reflect move to Implementation
6) Corporate Select Committee continue to oversee the programme

Progress update

1) Cabinet via delegated approval to Exec Director S&G (in consultation with ED for FCS, the Leader and Cabinet Member for Innovation, Transformation and Performance) endorsed the award of the contract to Oracle Consulting Services implementing a cloud Oracle solution as planned.
2) On-going visibillty of the plans via Programme Board, also the Corporate Select Committee continues to offer oversight.
3) Strong engagement from HR and Finance into the familiarisation stage of the programme which supports system design decisions
4) Eight benefit themes applied to the project from the outset underpin all design discussion / decision, programme board are responsible for delivering against these benefits.
5) Governance managed by project board and programme board for project plans and budget.
6) Strong management of the familiarisation process by both NCC and the Systems Implementer to ensure remote ways of working are not impacting the quality of the engagement or decision-making
7) Robust risk management in place, particularly in respect of C-19 and the potential impact this could have on timescales and costs
8) Business impacts being captures as familiarisation with the software solution develops - will inform procurement of a change partner to support business adoption of new ways of working that underpin realisation of savings

Risk Number	RM028				**Date of update**				08 September 2020	
Risk Name	Risk of any failure to monitor and manage health and safety standards of third party providers of services									
Portfolio lead	Cllr. Andrew Proctor					**Risk Owner**		Fiona McDiarmid		
Risk Description					**Date entered on risk register**				29 July 2019	
The potential for the Council not proactively monitoring and managing 3rd party providers to ensure the standards of health and safety. There is a risk of prosecution for health and safety failings, reputational damage and a failure to deliver services. Overall risk treatment: Treat										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	**20**	3	5	**15**	2	5	**10**	Mar-21	**Green**

Tasks to mitigate the risk

1) HSW team to undertake remote monitoring of high risk areas e.g accomodation providers

2) Departments to investigate specific concerns raised by the surveys

3) Departments to review their approach to contract management and implement sustainable improvements in monitoring with the support of Health and Safety Team (HSW)

Progress update

1) Monitoring undertaken by HSW Q3 2017/18
Report taken to the then CLT with findings Q4 2017/18 - actions 2 & 3 agreed at the former CLT.

2) Departments have reviewed their approach to contract management and integrated responsibilities into roles in revised structures.

3) Monitoring is actively in place for a number of services and is due to commence for other services throughout 2020/21. Monitoring of service providers has significantly improved.

The Health and Safety Team have been focussing efforts on carrying out risk assessments ahead of the re-opening of sites for service delivery. This work has included supporting departments to seek assurance on 3rd party providers approach to being COVID-Secure as their services re-open/scale up.

Risk Number	RM029	**Date of update**	08 September 2020
Risk Name	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term		
Portfolio lead	Cllr. Andrew Proctor	**Risk Owner**	Fiona McDiarmid
Risk Description		**Date entered on risk register**	29 July 2019

There is a risk that a range of critical new/future skills are not available within NCC in the medium to longer term. The lack of these skills will create problems for, or reduce the effectiveness of service delivery. An inability or failure to consider/identify these until they are needed will not allow sufficient time to develop or recruit these skills. This is exacerbated by: 1.The demographics of the workforce 2.The need for changing skills and behaviours in order to implement new ways of working including specialist professional and technical skills (in particular IT, engineering, change & transformation; analytical; professional best practice etc) associated with the introduction or requirement to undertake new activities and operate or use new technology or systems - the lack of which reduces the effective operation of NCC . 3.NCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf 4.Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention 5.Skills shortages in key areas including social work and teaching 6.Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. 7.Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 8. Brexit uncertainty impacting in some sectors Overall risk treatment: Treat

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	5	**15**	2	5	**10**	Mar-21	**Green**

Tasks to mitigate the risk

- Identification of what new critical skills are required in services – As each directorate makes their changes to make savings / manage demand
- Identification of pathways to enable staff to learn, develop and qualify into shortage areas – As each directorate makes their changes to make savings / manage demand
- Challenge ourselves, is there another way this can be delivered?
- Explore further integration with other organisations to fill the gaps in our workforce - ongoing
- Develop talent pipelines working with schools, colleges and universities
- Undertake market rate exercises as appropriate and review employment packages
- Explore / develop the use of apprenticeships; this will help grow talent and act as a retention tool
- Work with 14 – 19 providers and Higher Education providers to ensure that the GCSE, A level and Degree subjects meets the needs of future workforce requirements.

Progress update

Progress update
We are utilising the apprenticeship levy to focus on critical areas e.g. Social Work, Fire Service Workforce Development Plans in services are in development focusing on areas of critical service delivery. We are also developing an improved approach to workforce planning through accessing regional expertise and support We have developed key Organisational Development priorities of future and roles of work in NCC, suporting an effective organisation, recruiting for strengths, creating life friendly careers and the deal in service of our people vision. Implementation plans are in development for these areas We are a Cornerstone Employer, and have a silver award for the Armed Forces Convenance, supporting an inclusive approach to recruitment We are revising our mandatory training policy to support key skills and knowledge of our workforce Implementation of HR & Finance system will give us capability to improve our workforce planning through real time reporting, improved data and access to talent information. This system will be implemented on a phased basis. We are developing our branding of NCC to attract people with the future skills we need to continue to be successful and deliver NCCs vision and strategy We are working with partners to establish joined up recruitment and systems streamlining needs We have reshaped our core learning and development offer to the organisation through the Norfolk Development Academy and Social Care Academy e.g. digital skills, leadership and management skills The Human Resources Team have been focussing their staff resources on addressing work related to COVID-19. This risk will continue to be mitigated with an ongoing commitment to ensuring that the Council continues to operate effectively with the required skillsets of its staff in place going forward. Government initiatives being introduced to try and mitigate the impact of COVID-19 on the economy may offer more opportunities to help mitigate this risk. Further information is expected in September and we will evaluate these before updating in the next period. There are also early signs that NCC is attracting more candidates as the public sector is seen as a more secure employer and people explore moving out of major cities. It is too early however to reduce the level of risk on this basis.

Appendix C

Risk Number	RM030	**Date of update**	08 September 2020
Risk Name	Non-realisation of Children's Services Transformation change and expected benefits		
Portfolio lead	Cllr. John Fisher	**Risk Owner**	Sara Tough
Risk Description		**Date entered on risk register**	08 August 2019

There is a risk that Children's Services do not experience the expected benefits from the transformation programme. Outcomes for children and their families are not improved, need is not met earlier and the increasing demand for specialist support and intervention is not managed. Statutory duties will not be fully met and the financial position of the department will be unsustainable over time. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	**20**	3	5	**15**	1	5	**5**	Mar-23	**Amber**

Tasks to mitigate the risk

1) A demand management and prevention strategy and associated business cases have been completed and a 5 year transformation programme has been established covering social care and education
2) Significant investment has been provided to delivery transformation including £12-15 million for demand management and prevention in social care and £120m for capital investment in Specialist Resource Bases and Specialist Schools
3) A single senior transformation lead, operational business leads and a transformation team have been appointed / aligned to direct, oversee and manage the change
4) Scrutiny structures are in place through the Norfolk Futures governance processes to track and monitor the trajectories of the programme benefits, risks and issues
5) Services from corporate departments are aligned to provide support to transformation change e.g. HR, Comms, IT, Finance etc
6) Interdependencies with other enabling transformation programmes e.g. smarter working will be aligned to help maximise realisation of benefits.

Progress update

Progress update
21/8 - As part of the recovery phase the majority of transformation projects have restarted, but there is ongoing support needed to manage the continued response to COVID. It is still anticipated there will be a delay to benefits realisation and these assumptions are being built into the business planning process for 2021-22. 8/6 – It is anticipated there will be a 6 month impact on benefits realisation as a result of the COVID 19 crisis. There is also the potential for a delayed surge in demand for services as lockdown is lifted and new need is identified. Majority of transformation, operational and corporate resource has been redirected to support emergency COVID response during lockdown. Resources are now beginning to focus on restarting transformation during re-set and recovery phase. 1) Leads and transformation team in place. Roles involved in transformation will increase and decrease in line with programme demand. Currently increasing our capacity to support projects as part of the SCARF and SEND & AAP transformation programmes. 2) SEND transformation workstreams are established, project mandates agreed and the capital programme for the first build is underway. Current profile of £12-15m investment is £2m per year. The Council has also agreed additional £5m front-line staffing investment pa from 2020-21. 3) SEND consultation stages / work with IMPOWER completed and design stage underway for Specialist Resource Bases (SRBs) and revised Inclusion Model. 4) Governance structures and reporting processes in place and being actively used through stocktake meetings and trajectory reports. Transformation Board has refreshed to focus on Benefits Realisation and has cross council representation both Members and Officers. 5) High level of engagement from corporate departments. Finance and HR use business partner model to embed expertise directly in department. Resource requirements are being managed in line with demand. 6) Business transformation “interlocks” are being used to manage interdependencies between programmes in Children’s Service and the Business Transformation Programme. Other change programme are managed as required e.g. the alignment of the roll-out of new mobile devices and apps to enable greater mobile working.

Appendix C

Risk Number	RM031								**Date of update**	08 September 2020
Risk Name	NCC Funded Children's Services Overspend									
Portfolio lead	Cllr. John Fisher						**Risk Owner**	Sara Tough		
Risk Description									**Date entered on risk register**	01 September 2019
There is a risk that the NCC Funded Children's Services budget results in a significant overspend that will need to be funded from other parts of Norfolk County Council										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	**25**	5	5	**25**	4	5	**20**	Dec-20	**Amber**

Tasks to mitigate the risk

Improved monitoring systems identified and revised CSLT tier 2, 3 & 4 structure proposed.
Transformation programme that is targeting improvement to operating model, ways of working, and placement & sufficiency to ensure that intervention is happening at the right time, with the right children and families supported, with the right types of support, intervention & placements. This will result in improved value for money through ensuring that money is spent in the right places, at the right times with the investment in children and families resulting in lower, long-term costs. In turn, this will enable the most expensive areas of NCC funded spend (placement costs and staffing costs) to be well controlled and to remain within budget. Cohorts will be regularly analysed to ensure that all are targeted appropriately.
The Functioning Family Therapy service has been launched. Family Group Conferencing is being reintroduced.
Recognition of underlying budget pressures within recent NCC budgets and within the MTFS, including for front-line placement and support costs (children looked after, children with disabilities and care leavers), operational staffing, and home to school transport for children with SEND.

Progress update

Improved monitoring systems in place and becoming embedded: LAC tracker, Permanance Planning Meetings, DCS Quarterly Performance meetings, weekly Getting to Good Meetings and Transformation and Benefits Realisation Board chaired by Cabinet Member CS and attended by members and CLT.
Multiple Transformation projects under-way and delivered, for example the new social care delivery model, the Fostering Recruitment Transformation and use of an enhanced fostering model, with further projects in development, such as our LAC and LC transformation. The new operating model was on track to go live from April 2020 but went live on 15 June due to COVID related delay. Norfolk has been successful in being awarded DfE funding to introduce the No Wrong Door model in partnership N Yorks. This is a proven model at working with adolescents differently improving outcomes and reducing costs. Due to COVID this project is currently paused until at least August 2020. There is a decision point with the DfE on 26 August to agree that the programme can restart from September 2020.
Children Looked After numbers have now been in steady sustained decline for a 12 month period, which will result in reduced overall placement costs. The rate of reduction has slowed during COVID, but remains stable. Where numbers have reduced, there are a number of very high cost placements that have impacted financial savings. A number of existing transformation projects are in train to support these young people more effectively and reduce costs over the medium term.

Appendix C

Risk Number	RM032a						**Date of update**		08 September 2020	
Risk Name	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)									
Portfolio lead	Cllr. Andrew Proctor					**Risk Owner**	Tom McCabe			
Risk Description							**Date entered on risk register**		27 February 2020	

There is a risk of disruption to service delivery if there are widespread cases of COVID-19 in Norfolk affecting the health, safety and wellbeing of Norfolk County Council and contracted partner employees. This could impact on Norfolk County Council financially and reputationally. Cause: Not effectively containing COVID-19. Event: Widespread positive cases of COVID-19 across Norfolk, affecting NCC staff, partners, and service users. Effect: There are potential effects on staff, partner organisations, and service user's health, safety and wellbeing if there is widespread exposure to COVID-19 within Norfolk. Overall risk treatment: Treat

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	4	5	**20**	3	2	**6**	Mar-21	**Green**

Tasks to mitigate the risk

1) Coordination of communications to make staff, service users, and contracted third parties aware of the latest guidance from Public Health England to help to contain cases of COVID-19, provide reassurance of the Council's response to COVID-19, contribute to the support structure, and demonstrate leadership. Action owner: James Dunne
2) Ensuring staff continue to be provided with information on safe working, particularly for those working in the community. To continue to ensure that measures to support mental health are available. Action owner: Derryth Wright
3) Modelling to be carried out to give best estimates on the prevalence of COVID-19 in Norfolk. Action Owner: Tim Winters
4) Adaptation of Business Continuity arrangements to meet service demands. Business Continuity Plan owners will need to review BCP's with their management teams to ensure that they reflect changes since COVID-19 which could affect current plans around such events as a loss of ICT, loss of a key system, shortage of key personnel, recognising other current priorities of services. Action Owner: Heads of Service
5) Incident Management arrangements in place with Gold and Silver meeting regularly and feeding in to Tactical Coordination Group / Strategic Coordination Group meetings. To ensure that key decisions within departments are recorded. Action owners for Normalisation and Recovery Phase development work: Al Collier and Andrew Staines
6) Maintain close contact with third party providers to ensure they are operating to expectations. Action Owner: Gary Heathcote
7) Assessment of financial impact. Action Owner: Harvey Bullen
8) Further second stage risks in case of failure to contain COVID-19 need to be considered. Action Owner: Thomas Osborne
9) Identifying nuanced implications of pupils returning to school and working to ensure that all aspects of this are managed. Action Owner: Chris Snudden
10) Ensuring that we are fully compliant with the recently passed Coronavirus Act 2020. Action Owner: All Heads of Service
11) To consider how and when sites might be re-opened for staff on a prioritisation basis using any revised government guidance, where and when it is safe to do so. Action Owner: Derryth Wright

Progress update

Progress update
1) Communications continue to go out to all staff advising on how to seek further guidance issued by Public Health England. External communications to third parties are reviewed to ensure that external communications as well as internal communications are consistent. Communications are providing reassurance of the Council's response to COVID-19, contributing to the support structure, and demonstrating leadership. Members are receiving a Members Briefing document. 2) Staff continue to receive guidance on safe working, including the use of personal protective equipment provided. The Health and Safety team continue to issue regular communications and provide well-being support to ensure people have access to any mental health support they may need including Norfolk Support Line, Mental Health First Aid Champions, wellbeing officers, and online e-Learning on personal resilience, all of which are available to staff. Support channels continue to be widely communicated to staff. Risk assessment form available for managers to complete for individuals who require access to an office for reasons of deteriorating mental health. Managers to review absence levels and identify gaps. Smarter working programme and engagement sessions to identify any specific individuals or areas requiring additional support. This is important to help to mitigate the risk of staff feeling isolated from prolonged home working. Significant changes re. PPE have been incorporated in the guidance. Risks covering health and wellbeing are being managed on the corporate COVID-19 strategic risk register, which was reported to July 2020 Cabinet and Audit Committee. The wellbeing staff survey will provide insight to the wellbeing of the workforce both pre- and during COVID-19. 3) Modelling is currently being carried out to provide further understanding of the numbers of expected cases in Norfolk. We are also modelling to align numbers of resources to how many we think we need e.g. for social care discharges, community food distribution, and projected mortality rates. There are some COVID-19 epidemic curve forecasts being produced at a national and regional level. These are for mortality, hospital admissions and infection prevalence. We are looking to take these and apply them to our local population like we have done previously. This will give us a couple of scenarios around which to estimate future system capacity required for testing, hospital admissions, hospital discharges and mortality. The Head of Public Health Information is reviewing the implications for Norfolk of the potential national scenarios as and when they are published, including the challenges ahead for Winter 20/21. 4) Service delivery is being modified to adapt to the everchanging demands on services: In relation to care homes, the Health Protection Care Provider delivery group continues to support collaboration between NCC and Norfolk & Waveney CCG and has been developed to both prevent new outbreaks in care homes and support those currently experiencing an outbreak. The Care Provider Incident Room (managed by N&W CCG) is the single point of contact for care homes to access support and advice and to report outbreaks. The Outbreak Management Team (managed by NCC) includes a Multi-disciplinary team with the ASSD Quality team working with PH consultants to manage outbreaks and to offer wrap around support to care homes. Enhanced arrangements continue to be in place for governance & oversight, infection control, testing, PPE & clinical equipment, workforce support and financial support, which has reduced the care homes element of this overall risk. Business Continuity Plans across the Council continue to be reviewed to ensure they incorporate changes to service delivery. 5) There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2020-21 spend reported to Cabinet on a monthly basis and monitoring of COVID-19 spend reported to Corporate Board regularly. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2020-21. There will be an updated MTFS position reported to Cabinet in September, savings proposals published for consultation in October, budget setting meeting of Full Council in February, and monitoring reports taken to Cabinet in 2021-22. Work is being carried out by Departmental Leadership Teams, the Recovery Group and the Business Transformation Programme on future savings required. Savings proposals were taken to the Budget Challenge session in July and will be presented again in September for Member review and then taken to October Cabinet. 6) The Council is working to understand the nuanced implications of the returning to school for school children. Staff with children continue to show great flexibility around family needs. The Health and Safety team are working with Children's Services (CS) on the general monitoring programme, with Children's Services identifying which schools require additional support. Health and Safety are providing feedback to CS with common themes needing to be addressed. 7) The Council is now in its normalisation and recovery phase, with services beginning to re-open where previously temporarily closed. The Health and Safety team continue to work with services on additional activities for reopening. Separate risk assessment templates have been produced for some specific activities to help speed up the process of opening up more services including undertaking visits to people's homes and visiting sites/premises managed by other organisations.Government advice continues to be followed, including expectations about the continuation of home working and advice on physical distancing measures. The recovery structure has been finalised and circulated. All of the highest-prioritised services identified for re-starting have now had at least their initial consultation with a Health and Safety officer, with many at a more advanced stage of sign off for re-opening. Additional resource (1FTE net) has been procured for the Health and Safety team to increase risk assessment processing. capacity. 8) CWD short breaks is one of the prioritised areas to resume face to face services under Theme G, with additional support over the summer period provided in response to growing evidence of fatigue and strain amongst families, but this is unlikely to be sufficient to mitigate all needs.

Appendix D

Scrutiny Options for Managing Corporate Risks

Reflecting good risk management practice, there are some helpful prompts that can help scrutinise risk, and guide future actions. These are set out below.

Suggested prompts for risk management improvement discussion

In reviewing the Council's corporate risks there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. What progress with risk mitigation is predicted?
2. How can progress with risk mitigation be improved?
3. When will progress be back on track?
4. What can we learn for the future?

In doing so, committee members are asked to consider the actions that have been identified by the risk owner and reviewer.

Risk Management improvement – potential actions

A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.
All actions, whether from this list or not, will be followed up and reported back to the committee.

Potential follow-up actions

	Action	Description
1	Approve actions	Approve recommended actions identified in the exception reporting and set a date for reporting back to the committee
2	Identify alternative/additional actions	Identify alternative/additional actions to those recommended in the exception reporting and set a date for reporting back to the committee
3	Refer to Departmental Management Team (DMT)	DMT to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to the committee
4	Refer to committee task and finish group	Member-led task and finish group to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
5	Refer to Corporate Board	Identify key actions for risk management improvement and refer to Corporate Board for action
6	Refer to Cabinet	Identify key actions for risk management improvement that have whole Council 'Corporate risk' implications and refer them to Cabinet for action.

Appendix E

Background Information

A Corporate Risk is one that:

- requires strong management at a corporate level thus the Corporate Board should direct any action to be taken
- requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

In responding to the corporate risks identified, there are four risk treatments that should be considered;

<u>Treat</u>
The risk should be treated through active management of the risk to reduce wherever the implications of the risk materialising are negative.

<u>Tolerate</u>
The risk should be acknowledged with the recognition that some or all of the mitigating actions are out of the immediate control of the Council.

<u>Transfer</u>
The risk should be transferred to a third party (usually via an insurance policy).

<u>Terminate</u>
The root cause of the risk should be terminated i.e. the action(s) causing the risk should be stopped.

Audit Committee

Item No. 10

Report title:	**Work Programme**
Date of meeting:	**15 October 2020**
Responsible Cabinet Member:	**Not applicable**
Responsible Director:	**Simon George, Executive Director of Finance and Commercial Services**
Is this a key decision?	**No**

Executive Summary

The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.

Recommendations

The Audit Committee are asked to consider and agree:

- **the work programme for the Committee**
- **if further information is required**

1. Background and Purpose

1.1. In accordance with its Terms of Reference, which is part of the Constitution, the Committee should consider the programme of work set out below.

2. Proposals

2.1. The proposed work is set out in the tables below:

January 2021	
Covid-19 Recovery Update	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended December 2020	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance
Internal Audit Plan for the first half of 2021-22	Executive Director, Finance and Commercial Services
External Auditor Letter	Executive Director, Finance and Commercial Services

April 2021	
Risk Management Report	Executive Director, Finance and Commercial Services
Risk Management Annual Report 2020-21	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Norfolk Audit Services Annual Report 2020-21 (including Quarter ended April 2021)	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance

July 2021	
NAS Quarterly Report Quarter ended June 2021	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Annual Statement of Accounts and Annual Governance Statement 2020-21	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance
External Auditor Report/Letters of Representation	Executive Director, Finance and Commercial Services
Treasury Management Annual Report 2020-21	Executive Director, Finance and Commercial Services
Monitoring Officer's Annual report 2020-21	Director of Governance
SIRO Annual Report 2021	Director of Governance
Norfolk Pension Fund Governance Arrangements	Executive Director, Finance and Commercial Services
Norfolk Audit Services' Terms of Reference (Charter) and Code of Ethics 2021/22	Executive Director, Finance and Commercial Services

October 2021	
NAS Quarterly Report Quarter ended September 2021	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Chief Legal Officer

3. Impact of the Proposal

3.1. As a result of the delivery of the work plan the Committee will have assurance through audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1. Not applicable.

5. Alternative Options

5.1. There are no alternative options.

6. Financial Implications

6.1. The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1. **Staff:**
There are no staff implications.

7.2. **Property:**
There are no property implications

7.3. **IT:**
There are no IT implications

8. Other Implications

8.1. **Legal Implications:**
There are no specific legal implications to consider within this report

8.2. **Human Rights implications**
There are no specific human rights implications to consider within this report

8.3. **Equality Impact Assessment (EqIA) (this must be included)**
No implications

8.4. **Health and Safety implications** (where appropriate)
There are no health and safety implications

8.5. **Sustainability implications** (where appropriate)
There are no sustainability implications

8.6. **Any other implications**
There are no other implications

9. Risk Implications/Assessment

9.1. Not applicable

10. Select Committee comments

10.1 Not applicable

11. Recommendation

11.1 See Action Required in the Executive Summary above.

12. Background Papers

12.1 None.

Officer Contact
If you have any questions about matters contained in this paper, please get in touch with:

Officer name : **Adrian Thompson** **Tel No. :** **01603 222784**

Email address : **Adrian.thompson@norfolk.gov.uk**

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