Norfolk County Council

Audit Committee

Date: **Thursday, 21 September 2017**

Time: **14:00**

Venue: **Edwards Room, County Hall,**
Martineau Lane, Norwich, Norfolk, NR1 2DH

Persons attending the meeting are requested to turn off mobile phones.

Membership

Mr S Aquarone
Mr C Foulger
Mr A Jamieson
Mr I Mackie - Chairman
Mr S Morphew
Mr H Thirtle - Vice-Chairman
Mrs K Vincent

Please note that the meeting will be preceded by an Audit committee Member Training Session commencing at 1.30pm in the Colman Room.

For further details and general enquiries about this Agenda please contact the Committee Officer:

Julie Mortimer on 01603 223055 or email committees@norfolk.gov.uk

Under the Council's protocol on the use of media equipment at meetings held in public, this meeting may be filmed, recorded or photographed. Anyone who wishes to do so must inform the Chairman and ensure that it is done in a manner clearly visible to anyone present. The wishes of any individual not to be recorded or filmed must be appropriately respected.

A g e n d a

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

2. **To confirm the minutes of the Audit Committee meeting held on 15 June 2017.** **Page 4**

3. **Declarations of Interest**

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

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

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

4. **Any items of business the Chairman decides should be considered as a matter of urgency**

5. **Norfolk Audit Services Report for the Quarter ended 30 June 2017** **Page 11**
Report by the Executive Director of Finance & Commercial Services

6. **Governance, Control and Risk Management of Treasury Management** **Page 23**
Report by the Executive Director of Finance & Commercial Services

7. **Norfolk Pension Fund Governance Arrangements** **Page 28**
Report by the Executive Director of Finance & Commercial Services

8. **Norfolk County Council and Norfolk Pensions Fund Audit Results Reports - Audit Committee Summary for the year ended 31 March 2017** **Page 47**

Audit Committee Group Meeting

Conservative Group 1pm Conservative Group Room, South Wing, County Hall

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

Date Agenda Published: 13 September 2017

Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 15 June 2017 at 2pm in the Edwards Room, County Hall, Norwich

Present:

Mr S Aquarone
Mr F Eagle
Mr A Jamieson
Mr I Mackie
Mr S Morphew
Mr H Thirtle
Mrs K Vincent

1 Apologies for Absence

1.1 An apology for absence was received from Mr C Foulger (Mr F Eagle substituted).

2 Election of Chairman

2.1 Mr I Mackie was elected Chairman for the ensuing year.

3. Election of Vice Chairman

3.1 Mr H Thirtle was elected Vice Chairman for the ensuing year.

4 Minutes

4.1 The minutes from the Audit Committee meeting held on 26th January 2017 were agreed as an accurate record and signed by the Chair.

5 Declaration of Interests

5.1 Mrs K Vincent declared an interest in Item 8 as she was a member of the Norfolk Pension Scheme.

5.2 Mr H Thirtle declared an interest in Item 8 as he was a member of the Norfolk Pension Scheme.

5.3 Mr S Morphew declared an interest in Item 8 as his wife was a member of the Norfolk Pension Scheme.

6 Items of Urgent Business

6.1 The Chief Internal Auditor informed the Committee that an email had been circulated to Members updating them on issues raised at the January meeting, including the progress against the ICO Audit Actions.

6.2 In light of the tragic events the previous week of the fire at the Grenfell Tower in Kensington, the Chairman proposed that the Committee commission a short report investigating the safety of the cladding recently installed on the exterior of the main County Hall building. He asked that the review also address the following issues: review of fire escape routes in County Hall; fire alarm system and drills; whether the fire alarm system was linked to Diamond Jubilee Carrow Fire Station and provisions for Fire Wardens in the building. The Committee fully supported and agreed the proposal and added that the review should also address business contingency plans that would be implemented to provide vital services should the County Hall building become dysfunctional. The review would also investigate the cladding used on other buildings in the County Council estate.

6.3 The Head of IMT attended the Committee to provide an update on ICT and Information management (IM) and the external report from the Information Commissioners. He reminded the Committee that they had visited the County Council against a backdrop of high profile data loss cases. He was pleased that the County Council had received the second highest level of positive feedback that could be received and that all immediate actions had been actioned, if they had not already been in progress.

7. Monitoring Officers' Annual Report 2016-17

7.1 The annexed report (7) by the Chief Legal Officer was received.

7.2 **The Committee resolved to:**

Note the contents of the report and in particular the key messages in the Executive Summary and Appendix A section 2.1.

8. External Auditor's Audit Plan 2016-17

8.1 The annexed report (8) by the Executive Director of Finance and Commercial Services was received.

8.2 During the ensuing debate the following issues were raised:

8.3

- Following an issue raised by the Chairman, the External Auditor agreed to bring benchmarking comparison data to the next meeting on the achievement of savings required over the medium term and comparisons with other similar Councils.

- The Committee noted that the County Council accounts had been drafted and would soon be available on the County Council's website alongside the draft Annual Governance statement. The final documents would be signed by the Leader and Managing Director before being published by the 30 June deadline.

- It was noted that the External Auditors were responsible for the audit of both the Norfolk Pension Fund and the County Council. Procedures were in place to ensure that they complied with a separate audit engagement.

- It was noted that the gender pay gap was one of the areas of external audit activity and suggested that this be brought to the attention of the newly appointed Head of Human Resources.

- In response to an issue raised, the External Auditor said that they were appointed to undertake the audit for a set fee set under a competitive process. If the scope of the audit was changed by the County Council then this fee might also change however, the number of days and staff required to complete an audit was commercially sensitive information.

8.4 **The Committee resolved to consider:**

- The External Auditor's Audit Plan for the Council for 2016-17 at Appendix A, including their assessment of the Financial Statement Risks and Value for Money Risks

- The External Auditor's Audit Plan for the Pension Fund for 2016-17, including their assessment of the Financial Statement Risks and Value for Money Risks, at Appendix B

- Whether there are any other matters which they consider may influence their work

- The key messages in the briefings at Appendices C and D.

9. Risk Management Annual Report 2016-17

9.1 The annexed report (9) by the Executive Director of Finance and Commercial Services was received.

9.2 During the ensuing discussion the following issues were raised:

- It was noted that the County Leadership Team (CLT) were aware of and addressing the risks presented at Appendix A. The Committee agreed that an update be provided at the next meeting on how these issues were being addressed at CLT level.

- Audit Committee had previously recommended that all relevant risk registers should be shared with Committees however, it was noted that currently only those risks scored over a certain level were being reported to Members on a regular basis. The Committee agreed that all Committees should receive a copy of their full risk register report annually in order to highlight any particular risks that Members may need more information on, with a summary of key risks at other times.

9.3 **The Committee resolved to** consider and comment on these key messages from the Annual Risk Management 2016-17 Report (Appendix A):

- The overall opinion on the effectiveness of risk management for 2016-17 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)

- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 7 of the report)

- In November 2016, the annual CIPFA (Chartered Institute of Public Finance and Accountancy) Risk Management Benchmarking Club exercise was carried out, and the Council was assessed against other Local Authorities on its' risk management capabilities. A summary of the Benchmarking Club exercise can be found at Appendix 1 of Appendix A of this report.

- The permanent position of Risk Management Officer was ratified by the Council in September 2016, and the current Risk Management Officer was appointed to this role in October 2016.

- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.

- The current Risk Management Policy is being refreshed, with a Risk Management Strategy to be developed from this in 2017/18.

10. Risk Management

10.1 The annexed report (10) by the Executive Director, Finance and Commercial Services was received.

10.2 Geoff Connell, Head of IMT attended the Committee to provide an update on risk number RM010 - 'Risk of the loss of key ICT systems' during which the following issues were raised:

- There was a need for the County Council's ICT security systems to be robust, particularly in light of the recent cyber-attacks on some NHS systems. A cyber security audit had recently been completed and feedback received had been positive, with the 25 recommendations providing opportunities for the Council to move from 'good' to 'excellent'. An update on the report would be brought to the September Audit Committee meeting.

- The County Council was becoming less dependent on the County Hall building as a data processing facility for ICT systems and increasingly services were being moved into cloud based arrangements to reduce the risks involved.

- The Corporate Risk Register and departmental risk registers were looked at as part of the annual planning process to feed into the annual Audit Plan

- Following an issue raised on risk number RM004 ('Potential risk of failure to deliver effective and robust contract management for commissioned services') regarding the link between the client and customer role in Norse, it was noted that the National Audit Office had published related guidance on contract management. The Committee asked to receive further information on this.

10.3 **The Committee resolved to consider:**

- a. The changes to the corporate risk register (Appendices A and B), the progress with mitigating the risks; and

- b. The scrutiny options for managing corporate risks, (Appendix C);
- c. The movement of corporate risks since the last meeting (Appendix D);
- d. The Finance and Commercial Services departmental risk summary (Appendix E);
- e. If any further action is required.

11. Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)

The annexed report (11) by the Executive Director of Finance and Commercial Services was received.

11.1 The Committee discussed the impact of the exchange rate on the project and whether funding was ring fenced when the exchange rate was favourable to Sterling. The Chief Internal Auditor agreed to seek clarification on this issue and confirm this with the Committee.

11.2 **The Committee resolved to:**

Approve the amended Internal Audit Terms of Reference as set out in Appendix A, and the Code of Ethics as set out in Appendix B of the report.

12. Norfolk Audit Services Report for the six months ending 31 March 2017

12.1 The annexed report (12) by the Executive Director of Finance and Commercial Services was received.

12.2 The Committee made reference to their recommendation to full Council that fraud and corruption e-learning packages be made mandatory for all employees and whether this had been implemented. It was acknowledged that the training might not be appropriate for all staff but it would be useful for Managers to identify those that should undertake it.

12.3 **The Committee resolved to consider and comment on:**

- The overall opinion on the effectiveness of risk management and internal control being ‘acceptable’ and therefore considered ‘sound’.

- Satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

- That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function.

13. Norfolk Audit Services Annual Internal Audit Report 2016-17

13.1 The annexed report (13) by the Executive Director of Finance and Commercial Services was received.

13.2 **The Committee resolved to:**

Consider and comment on these key messages from the Annual Report (Appendix A):

- The overall opinion on the effectiveness of risk management and internal control for 2016-17 is ‘Acceptable’ and therefore considered ‘Sound’ (part 2 of the report)

- The internal audit function has fulfilled its Terms of Reference, Strategy and provided assurance and added value through its delivery of the Committee’s approved revised Internal Audit Plan for 2016-17, including traded schools audits and grant certifications and unplanned audits (part 4 of the report)

- Work is continuing to manage performance and the cost of audit assignments (part 6 of the report)

- The work of Norfolk Audit Services for the year (part 7 of the report) and the assurance provided assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud

- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 8 of the report)

- The Internal Audit Function continues to comply with the Accounts and Audit Regulations 2015 and recognised standards including the United Kingdom Public Sector Internal Audit Standard (UKPSIAS) (part 8 of the report). We commissioned an independent review from CIPFA of our compliance with the PSIAS (part 8 of the report). The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and we are in the process of considering and implementing these. One change is a statement on the independence of internal audit, covered at part 8.6 of the report

14. Audit Committee Work Programme

14.1 The annexed report (14) by the Executive Director, Finance and Commercial services was received.

14.2 In accordance with its Terms of Reference the Committee considered and **agreed** the programme of work outlined in the report.

The meeting ended at 3.30pm.

CHAIRMAN

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Audit Committee

Item No……

Report title:	**Norfolk Audit Services Report for the quarter ending 30 June 2017**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

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 at part 4.1 (please click on the underlined text to link to the webpage)

Executive summary

The new administration has a clear set of priorities based around 'Caring for our County'.
Internal Audit's work will contribute to these new priorities, being:

- Caring for your money
- Caring for your family
- Caring for your community
- Caring for your health and well being
- Caring for your roads and environment
- Caring for your economy

The Audit Committee is recommended to consider and comment on:

- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'

- Satisfactory progress with the traded schools audits and the operation of the Audit Authority for the France Channel England Interreg Programme

- That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

2. Evidence

2.1 This section covers:

- Work to support the opinion (2.2)
- Other relevant information (2.17)
- France Channel England FCE Update (2.19)
- External matters of Note (2.22)

2.2 **Work to Support the opinion**

2.3 My opinion, in the Executive Summary, is based upon:

- Final reports issued in the period (representing a proportion of the planned audit coverage for the year) **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

2.4 The Internal Audit Plan has been delivered within the context of:

- Managing vacancies (recruitment for the Principal Client Manager roles)
- Managing productivity rates
- Un-planned investigatory and preliminary assessments of allegations work in the period.

2.5 A list of final reports for the last period is attached as **Appendix A**. The progress with delivering the audit plan, including totals up to the end of the year is shown in Table 1 below.

Table 1: Final Audit Reports

Report type	Q1	Q2	Q3	Q4	Total to 30/06/2017	Annual Target
Final audit reports (non-schools)	6*				6*	20
Final audit reports (schools – compliance/themed Audits)	0				0	
Management Letters	7				7	
Total Audits for opinion work	**13**				**13**	**20***

Traded Schools (including traded audits and healthchecks)	8				8	34
Certified grant claims	7				7	30
Follow-up report	0				0	
Pension Audits	3				3	10

*It should be noted that these figures include final reports issued in relation to finalisation of carried forward 2016-17 audits
** The target is for 20 Final Report and 7 Draft by the year end

2.6 Corporate High Priority Audit Findings identified during audits are followed up. We have received assurance from the relevant Assistant Directors and Managers to confirm satisfactory action has been taken. Details are shown in table 2 below:

Table 2: Corporate High Priority Audit Findings

Department	Green Rated	Blue Rated	**Total**
Adult Care	1	3	4
Children's Services	2	1	3
Communities and Environment	0	0	0
Finance and Commercial Services	8	1	9
Total NCC	**11**	**5**	**16**
Schools	0	0	0
Total Corporate High Priority Findings	**11**	**5**	**16**

2.7 Progress with the action plan for the County Farms Audit, reported to this committee in January 2017, has been reported to the Business and Property Committee on 8 September 2017, starting page 43. (Please click on underlined text to link to the report)

2.8 Following the tragic events in Kensington, the Chairman of the Committee requested a report on several Fire Safety related topics under Items of Urgent Business (6.2) at the meeting on 15 June 2017.

a. An advisory email was sent to all Members on 15 June 2017 and subsequently an advisory email was sent all staff on 27 June 2017. A briefing note was then provided for the Chairman of the Audit Committee on 10 July 2017. While the causes of the Kensington fire were being established the emails provided assurance that fire safety arrangements are under regular review and it was considered there were satisfactory systems in place at County Hall and two other offices, that the Council leases (Vantage House and Havenbridge), where aluminium cladding was used. Fire safety on commercial premises is built on a number of systems – based on current guidance and use the sites are safe. This remains under review, particularly where there may be any new guidance issued.

b. There are established and tested procedures for fire escape routes, drills and tests. There are two test total evacuations of the buildings in any 12 month period. There are regular visits from the Norfolk Fire and Rescue Service and Fire Risk Assessments. There are trained Fire Wardens and Evac Chair Volunteers throughout the building.

c. There is a new fire alarm system and sprinkler system at County Hall.

d. The County Hall Fire alarm system is linked to the Fire and Rescue Service

e. There are comprehensive Resilience and Business Continuity plans in place for Council services.

f. Fire Safety is funded through the general maintenance budget for Council buildings.

2.9 There continues to be a good take up of Traded Schools Audits.

2.10 There was one formal investigation at a school in the quarter and several assessments of allegations that were received.

2.11 Work is underway to develop an action plan for the Internal Audit Team to further develop four 'ways of working':

- Strategy into Action/Accountability
- Commerciality/Business Like
- Data Analytics/Evidence Based
- Collaboration/Influencing

Whistleblowing

2.12 The responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. Investigations are delegated to a Senior Officer in the relevant department or to Internal Audit for financial concerns.

Anti-Fraud and Corruption

2.13 NAS has appointed an Investigative Auditor who started on 5 June 2017. He is currently updating the Anti-fraud action plan to ensure that it reflects the way he will take his role forward.
His first projects will be to review and update the following:

- The Council's Anti-Fraud and Corruption Strategy
- The e-learning packages research for the business case for mandatory completion for all employees
- Promotion of the Strategy and related policies such as the Whistleblowing Policy (para 2.10)

2.14 Our Audit Universe and Audit Needs Assessment continue to be reviewed during each quarter to ensure topics remain relevant and that new topics are considered on a risk assessed basis.

2.15 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)

2.16 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for 7 responses in the quarter ending 30 June 2017, as shown at **Appendix B, 5.2.5**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.

2.17 The operation of the France Channel England Interreg Audit Authority is progressing satisfactorily (see 2.20 below).

2.18 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.

2.19 **Other relevant information**

2.20 Audit Committee members received training on the Role of the Audit Committee, on 24 July 2017.

2.21 The Policy and Resources Committee receives regular reports on Performance and Risk and the delivery of financial savings.

2.22 France (Channel) England (FCE) update –

2.23 The Audit Authority is now established and several draft audit reports have been issued since the last reported quarter. Recruitment of the FCE Auditor is being planned.

2.24 The FCE team staff continues to attend relevant training events organised by the European Commission or Member States in order to build capacity and knowledge at the required levels.

2.25 External Matters of Note

2.26 The National Audit Office (please click to go to their website) have published the following reports that are relevant to the Council:

1. Progress on the Government Estate Strategy – 25 April 2017
2. Good practice from the excellence in Reporting in the Public Sector Award – Building Public Trust in Corporate Reporting Awards – 19 April 2017
3. Protecting Information Across Government – 23 May 2017
4. Online Fraud – 30 June 2017

2.27 There are no other external matters to note this period.

3. Financial Implications

3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.

3.2. Norfolk Audit Services has delivered approved savings in 2016-17 by adhering to the planned budget and preparing for ongoing savings as required.

3.3. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2017-18 has been set to deliver 100% of audit work is within budget. At present 62.5% of audit work is keeping to the original budget (+ 10%). Generally when audit work is over budget it is because the completion of the work, including obtaining agreement to findings and obtaining action plans, has taken longer than originally planned. Other factors that have contributed to completion of work being over budget this past quarter included staff changes. In addition we delivered a number of complex audits that required more time than planned. Audit budgets will be actively managed to ensure all future audit work is kept within budget.

3.4. The costs of half yearly audit plans are communicated to the Executive Director of Finance and Commercial Services.

4. Issues, risks and innovation

4.1. There are no implications with respect to:

- Resource
- Legal
- Equality
- Human Rights
- Environmental
- Health and Safety.

5. Background

5.1. The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations (England) 2015. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.

5.2. There is no relevant input or comments from other committees to include within this report.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

Email address: adrian.thompson@norfolk.gov.uk

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter ending 30 June 2017

There were 31 final reports, 9 non schools, 2 full traded school audits, 6 traded school health checks, 7 management Letters. In addition 7 grants were certified during the period.

Final Reports

Children's Services

1. Contract management of non-NCC Children's homes

Finance

2. Property Security
3. Accounts Receivable
4. Accounts Payable
5. Hethel – Sub Co.
6. Awareness of IM Policies, Procedures, Roles and Responsibilities

Pension

7. Business Continuity Planning/Disaster Recovery
8. National LGPS Procurement Frameworks
9. Pensions Oversight Board – Compliance with their Terms of Reference and Forward Plan.

Traded Audits

10. Wicklewood Primary School
11. The Bawburgh School

School Traded Healthchecks

12. Corpusty Primary School
13. Brundall School
14. Sheringham Woodfields School
15. Scole CE VC Primary School
16. Toftwood Infant School
17. Spixworth Infant School

Management Letters

Adults Social Services

18. Home Care providers National Minimum Wage (phase 2)

Finance

19. Contract Register
20. Norse – Sub Co.
21. Norfolk Energy Future – Sub Co.
22. Norfolk Safety – Sub Co.

Schools

23. Information Security

Strategic

24. Norfolk Fire & Rescue Service

Certified Grants

25. BDUK 2016-17 Q3
26. BDUK 2016-17 Q4
27. Police and Crime panel (p/e March 2017)
28. NORSE (p/e March 2017)
29. Transforming Care (June 2016) –
30. BID REX (April)
31. EIFCA grant

Technical Details

Notes for section 2

2.1 Productive Time

2.1.1 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on work supporting the audit opinion has been set at 61.1% for the 2017-18 year. This takes into account time required for general management, training, team development and induction of new or temporary staff.

2.2 Investigations Procedure

2.2.1 Norfolk Audit Services is notified of any allegations of a financial or control nature. Allegations are managed in two stages, a preliminary assessment and then, if required, a formal investigation. Preliminary assessments may require significant work and can lead to an assessment report. Formal investigations will have terms of reference and a time budget.

Notes for section 4

4.1 Crime and Disorder Act 1998

4.1.1 Under Section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing. The profile of Anti- Fraud and Corruption arrangements remains high and we are responding to the challenges that arise.

4.1.2 This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.2 Sustainability

4.2.1 Norfolk Audit Services makes every effort to reduce its carbon footprint. Distance travelled is taken into account when booking audits outside of the County Hall, booking auditors living closest to the venues. Our team uses all recycling facilities available to us working at County Hall in order to reduce consignment to landfill. We monitor our printing/photocopying usage half yearly and encourage people to reduce where they can.

4.2.2 Norfolk Audit Services continually review our performance and costs.

Notes for Section 5

5.1 Audit Opinions

5.1.1 All audit reports contain an overall audit opinion on the adequacy and effectiveness of risk management and internal control, indicating whether the area concerned is either ‘acceptable’ or if ‘key issues need to be addressed’. Audit work and reporting give assurance on the adequacy and effectiveness of Governance, Risk Management and Internal Control and forms part of the achievement of the Council’s Plans and its Strategic Ambitions.

5.2 The difference we are making

5.2.1 Audit findings have provided assurance or where necessary led to agreed actions to address any identified weaknesses in risk management and internal control. This demonstrates the Council’s good Value for Money and thus supports the Council’s Plan and its Strategic Ambitions. No actual savings or potential savings have been noted as a result of our audit work and grant claim certification in the last quarter.

5.2.2 Norfolk Audit Services have adopted a “Statement of Customer Pledge and Remedy”.

5.2.3 The work undertaken by Norfolk Audit Services complements the work of the external auditors. There is a good working relationship between Internal and External Audit such that in total they give adequate audit coverage to all areas of the Council’s activities. Norfolk Audit Services is responsible for communicating the final results of their audit work to parties who can ensure that the results are given due consideration.

5.2.5 Feedback received was as follows:

Type of work	Questionnaires issued	Questionnaires received
Standard audit	10	7
Grants	0	0
Analysis of results:		
	Expectations Met*	**Disappointed or Very Disappointed**
	7	0

*The simpler electronic “Smart Survey” based questionnaire was launched from 1 January 2015 onwards to increase the likelihood of returns. A Service Level Agreement is being drafted for our services.

Audit Committee

Item No……

Report title:	**Governance, Control and Risk Management of Treasury Management**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

Treasury management in local authorities is extremely well regulated. Specific policy and operational guidance on governance, control and risk management is contained within professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government.

This report concludes that the County Council's Treasury Management operations are fully compliant with the statutory and regulatory framework and recognised best practice.

Executive summary

The Audit Committee's Terms of Reference state that it is responsible for 'considering the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensuring that they meet best practice.'

The purpose of this report is to provide assurance to the Committee as to the adequacy and effectiveness of these arrangements.

Recommendation: Audit Committee is requested to consider and comment on this report.

1. Proposal

1.1 The Audit Committee is requested to consider and comment on this report which provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

2. Evidence

2.1 The County Council's treasury management operations form an important part of the overall financial management of the authority. These operations comply with statutory and regulatory requirements, including appropriate Member scrutiny and reporting.

2.2 This report provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

2.3 During financial year 2016-17, the County Council met the reporting requirements of the CIPFA Treasury Management Code by receiving:

- an annual treasury strategy in advance of the year (County Council 22 February 2016)
- a mid-year treasury update report (County Council 12 December 2016)
- annual report following the year-end describing activity (County Council 24 July 2017).

To aid transparency these reports were presented to Policy and Resources Committee and Council as agenda items in their own right, rather than as appendices to other financial reports.

2.4 The County Council has integrated the governance requirements of the CIPFA Treasury Management Code and the Government's Investment Guidelines into a single report. The "Annual Investment and Treasury Strategy 2016-17" was presented to Policy and Resources and then Council in February 2016 at the same time as the County Council's annual budget proposals. Prior to consideration by Policy and Resources, the Strategy was examined in detail by the Treasury Management Panel.

2.5 The Annual Strategy report provided economic forecasts, the criteria for choosing investment counterparties, monetary limits and deposit periods, the strategy for long term borrowing, treasury management prudential indicators and leasing activity.

2.6 A mid-year monitoring report on treasury activities was also produced for Policy and Resources Committee and Council.

2.7 After financial year-end, an annual report was produced. The "Annual Treasury Management Report 2016-17" was presented to the Policy and Resources Committee and the County Council in July 2017. On this occasion, due to the local elections, there was no Treasury Management Panel to consider the report in advance. However, in the normal course of events the Annual Treasury Management Reports is considered by the panel in May.

2.8 The Annual Report reviewed treasury activities undertaken in the previous 12 months (April 2016 to March 2017) and contained details of performance against key treasury management indicators and budgets. It also provided confirmation that all monies invested during the year was in accordance with the approved investment criteria.

2.9 In addition, throughout 2016-17, Policy and Resources Committee received regular treasury management summaries. These reports provided performance information in relation to key treasury management indicators such as the amount of cash balances and other relevant information such as changes to base rates.

2.10 During 2016-17, the Treasury Management Panel provided robust scrutiny of treasury activity. Reports to Policy and Resources Committee are amended where appropriate to incorporate comments or views expressed by the Panel, with other action being pursued by officers and reported back to Panel members. There are no outstanding actions/recommendations from meetings of the Panel during 2016-17.

2.11 The County Council's external auditor (Ernst & Young) performs audit tests in order to inform their annual audit of the Council's Statement of Accounts. For example, they seek independent verification of material investment and debt balances.

2.12 Transaction testing of key controls is supplemented by a triennial full internal audit review, supplemented by further work if significant changes to systems or processes are identified. A full triennial internal audit review was undertaken as part of the 2016-17 annual audit plan, with a final report issued on 23 August. No findings were identified as part of the audit.

3. Financial Implications

3.1. The expenditure and income relating to treasury management activities falls within the parameters of the Annual Budget agreed by the Council.

4. Issues, risks and innovation

4.1. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

4.2. Internal Controls, including those assessed under the use of resources, help by aiming to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

4.3. **Risk implications**

The Finance Management Team is responsible for maintaining a departmental risk register. There are currently no "High" risks identified relating to Treasury Management activities.

5. Background

5.1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) defines treasury management activities as:

'the management of a Council's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'.

5.2. Treasury management in local authorities is extremely well regulated. Specific policy and operational guidance is contained in professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government.

5.3. This framework of regulation and codes of practice provides the basis for the governance and reporting of treasury management activities in local authorities.

5.4. Statutory and regulatory guidance is provided by the Local Government Act 2003 and the Government's Investment Guidelines 2010 (Revised). Codes of best practice include the Chartered Institute of Public Finance and Accountancy

(CIPFA) Treasury Management Code of Practice and the Prudential Code. The Council adheres to all these in the way it manages its treasury services.

5.5. CIPFA's Code of Practice for Treasury Management in the Public Services (the Code) recommends the adoption of four key clauses as part of financial regulations and procedures. CIPFA's latest version of the Code was released in November 2011. The specific clauses and policy statements remained unchanged from the 2009 Code which the County Council adopted in February 2010 as part of its financial regulations and procedures. Two of the clauses relate to governance and reporting arrangements, as follows:

- that the County Council delegates responsibility for the implementation of its treasury management policies and practices to the Council's Cabinet (now Policy and Resources Committee), and for the execution and administration of treasury management decisions to the Council's Executive Director of Finance and Commercial Services.

- that the County Council receives reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

5.6. Complementary to the CIPFA Treasury Management Code, the Government's Investment Guidelines requires the full Council to approve an Annual Investment Strategy.

5.7. Following the collapse of the Icelandic banks in October 2008, The County Council's then Cabinet considered the governance and reporting arrangements in respect of treasury management. In December 2008, Cabinet approved the establishment of a cross-party Member Panel with specific responsibilities for Treasury Management. The Panel's responsibilities included:

- Monitor recovery of the Councils Icelandic investments.

- Consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to the then Cabinet (now Policy and Resources Committee) and full Council.

- Receive detailed reports on the Council's treasury management activity, including reports on any proposed changes to the criteria for "high" credit rated institutions in which investments are made and the lending limits assigned to different counterparties.

- Receive presentations and reports from the Council's external Treasury Management advisers.

- Consider the draft Treasury Management Annual Report and Mid-Year Monitoring Report prior to their submission to the then Cabinet (now Policy and Resources Committee) and full Council.

5.8. In addition, the Audit Committee's Terms of Reference state that it is responsible for 'considering the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensuring that they meet best practice.'

5.9. The Council's Financial Regulation and Procedures have specific sections dedicated to Treasury Management (sections 4.7 and C7 respectively). They set out the key controls and specific responsibilities of the Statutory Finance Officer

(Executive Director of Finance and Commercial Services) and the other Chief Officers with regard to Treasury Management. The regulations and procedures are reviewed and updated annually.

Officer Contact

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Audit Committee

Item No……

Report title:	**Norfolk Pension Fund Governance Arrangements 2016-17**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services and the Head of Pensions**

Strategic impact

The Audit Committee requested that the Head of Pensions report to Committee outlining the ongoing governance arrangements of the Norfolk Pension Fund.

The Norfolk Pension Fund's governance arrangements are detailed in the Fund's Governance Statement. The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practice guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.

Executive summary

Recommendation:

The Audit Committee is requested to consider this report which details to the Committee, Norfolk Pension Fund's governance arrangements, being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

1. Proposal (or options)

1.1 The recommendation is set out in the Executive Summary.

2. Evidence

2.1 The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practice guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.

2.2 As Administering Authority for the LGPS in Norfolk and in accordance with legislation, the Council has delegated LGPS pensions' matters to Pensions Committee who have 'quasi trustee' status. The 'quasi' status reflects the fact that individual Trustees do not have the same legal status as their private sector counterparts. However, like trustees of private sector pensions schemes, their overriding duty is to ensure the best outcomes for the Pension Fund, its participating employers and scheme members/beneficiaries.

2.3 Pensions Committee membership includes representatives of other employers and scheme members, alongside the Council's elected members. This is in compliance with statutory guidelines for LGPS Governance.

2.4 In their role as Trustee's of the Norfolk Pension Fund, Pensions Committee oversees the management (e.g. administration, strategy and investment) of the Norfolk Pension Fund. Terms of reference for the Committee, as detailed in Part 4.1 of the Council's Constitution, are as follow:

To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the Scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:-

(a) Functions relating to local government pensions etc under regulations made under Sections 7, 12 or 24 of the Superannuation Act 1972.

(b) To receive and consider the draft Financial Statements for the Norfolk Pension Fund.

(c) To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved.

2.5 Under Regulations 55 of The Local Government Pension Scheme regulations 2013, LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of best practise principles on scheme governance and stewardship. These principles are set out in statutory guidance issued by DCLG.

2.6 In accordance with this legislation, the Norfolk Pension Fund prepares and publishes each year a Governance Statement and Governance Compliance Statement. Both statements are approved by the Pensions Committee.

2.7 The Pension Funds Governance Statement details roles and responsibilities in relation to the Fund and is attached at Appendix A. The Statement is published on the pension fund website, www.norfolkpensionfund.org

2.8 The Fund's Governance Compliance Statement (which measures compliance against best practise guidelines) is attached at Appendix B and is incorporated in the published Annual Report and Statement of Accounts. Norfolk Pension Fund is fully compliant with the principles as set out in the statutory guidance.

2.9 The governance arrangements of the Norfolk Pension Fund are further supported by:

- Norfolk Audit Services undertaking a programme of annual audits which provide assurances on the adequacy and effectiveness of internal controls and risk management for the Pensions Committee.

- The work undertaken by External Audit (Ernst and Young) and detailed in the annual Audit Plan, to provide an audit opinion on whether the financial statement of the Norfolk Pension Fund provide a true and fair view of the fund's financial statements at year end.

  Upon completion of the audit of financial statements, The External Auditor will produce a report (ISA 260 – Communication with those charge with Governance), which may include any specific matters of governance which have come to his attention in performing the audit. The Executive Director of Finance and Commercial Services, being the person with specific responsibility for the financial statements, will draft a letter of representation to the External Auditor highlighting any matters material to the financial statements and possible non-compliance with laws and regulations. External Audit requires that the Chair of Pensions Committee countersigns the letter on behalf of "those charged with governance".

  The appointment of Ernst and Young to the Pension Fund is separate from their appointment to the County Council.

2.10 The Public Service Pensions Act 2013, includes several key provisions relating to the administration and governance of public service pension schemes including the LGPS. Under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended), LGPS funds must set up and operate local pension boards.

In Norfolk the local pension board is referred to as the Norfolk Pension Fund Pensions Oversight Board. The role of the board is to assist the Norfolk Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed. The Board's recent work programme includes; fund communication, breaches policy and the 2016 triannual valuation.

The Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board and minutes of meetings can be found at Pensions Oversight Board TofR and Minutes.

The Pensions Oversight Board has an equal number of employer representatives and scheme member representatives. In addition an independent chairman has been appoint to oversee the smooth running of the board.

2.11 Following the Government's announcement in 2015, inviting LGPS funds to submit proposals for the pooling of investment assets, the Norfolk Pension Fund has been working with 10 other 'like-mined' administering authorities to form an investment pool known as ACCESS ('A collaboration of Central, Eastern and Southern Shires'). Together the 11 Funds have investment assets of approximately £40 billion.

Investment pooling is intended to create the scale that will enable access to lower investment manager fees and deliver cost savings to the LGPS. In a pooled investment structure individual funds, like Norfolk, will still be responsible for their own investment strategy and asset allocation.

To facilitate pooling, the ACCESS funds jointly drafted a legally binding Inter Authority Agreement (IAA) setting out the governance arrangements for the pooling of investments. Approval for the Norfolk Pension Fund to enter into the IAA for the pooling of assets was given by County Council on the 20th February 2017.

The ACCESS Pool is governed by a Joint Committee constituted under s101 of the Local Government Act 1972 and made up of the Chairs from the 11 Pension Committees.

The expectation is that the new investment pools will begin to be used for collective investment from April 2018 onwards.

3. Financial Implications

3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.

4. Issues, risks and innovation

4.1 Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

4.2 Internal Controls, including those assessed under the use of resources, help by aiming to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

4.3 **Other resource implications**

There were no other resource implications arising from this report.

4.4 **Legal implications**

There were no legal implications arising from this report

4.5 **Risk implications**

This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.6 **Equality implications**

There were no equality implications arising from this report

4.7 **Human rights implications**

There were no human rights implications arising from this report.

4.8 **Environmental implications**

There were no environmental implications arising from this report.

4.9 **Health and safety**

There were no health and safety issues arising from this report.

5. Background

5.1 The Local Government Pension Scheme (LGPS) is a national scheme, which is governed by statute to meet the pension requirements of Local Government and other associated employers. Although the LGPS is a national scheme, it is administered locally (through 100 or so Funds across the country with local accountability). The scheme has its own Regulator, the Department of Communities and Local Government Department (DCLG).

5.2 In Norfolk the LGPS is administered by Norfolk County Council (NCC) and delivered through the Norfolk Pension Fund. The Fund is a multi-employer arrangement which currently has 322 active contributing employers.

5.3 The Norfolk Pension Fund is maintained separately from NCC. It has a separate bank account, ring fenced assets, a separate budget funded from its own resources and produces its own Statement of Accounts and Annual Report. The Pension Fund accounts are in addition to the statutory disclosures made in NCC's Statement of Accounts.

Officer Contact
If you have any questions about matters contained or want to see copies of any assessments, eg. equality impact assessment, please get in touch with:

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

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Norfolk Pension Fund

Governance Statement 2017

This document sets out the

Governance arrangements

for the

Norfolk Pension Fund

as at September 2017

lgps for you, for now, for the future

PROFESSIONAL PENSIONS PENSION SCHEME OF THE YEAR AWARDS 2016 FINALIST

LGC Investment Awards 2016 WINNER

LAPF Investments 2016 Awards FINALIST

Administering Authority

Norfolk County Council (NCC) is the **Administering Authority** of the Norfolk Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers and scheme members.

- Norfolk County Council has delegated its pensions functions to the **Pensions Committee**
- Norfolk County Council has delegated responsibility for the administration and financial accounting of the Norfolk Pension Fund to the **Executive Director of Finance and Commercial Services**

Pensions Committee

The Pensions Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pensions 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 secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary

Pensions Committee Trustees*

- The Pensions Committee act as Trustees and oversee the management of the Norfolk Pension Fund
- As Trustees, their overriding duty is to ensure the best possible outcomes for the Pension Fund, its participating employers and scheme members
- Their knowledge is supplemented by professional advice from Pension Fund staff, professional advisers and external experts
- To meet the requirements set out by the Pensions Regulator's Code of Practice, Trustees need a certain level of expertise. An ongoing programme of trustee training is delivered and no substitutions are allowed at Committee

Pensions Committee Membership

There are 8 members of the Pensions Committee:

Chairman	Norfolk County Councillor	Cliff Jordan
	Norfolk County Councillor	Danny Douglas
	Norfolk County Councillor	Judy Oliver
	Norfolk County Councillor	Martin Storey
	Norfolk County Councillor	Brian Watkins
Vice-Chairman	District Councillor (elected by the Local Government Association)	Alan Waters
	District Councillor (elected by the Local Government Association)	John Fuller
	Staff Representative	Steve Aspin
	Observer**	Open to all participating Employers
Other attendees	Administrator of the Fund (NCC Executive Director of Finance and Commercial Services)	Simon George
	Head of the Norfolk Pension Fund	Nicola Mark
	Investment Advisor to the Fund (Hymans Robertson)	Gemma Sefton/Rob Bilton

* Pensions Committee members act as Trustees but do not have legal status as Trustees.

** The observer seat is not currently part of the formal Constitution and does not have voting rights. However, the observer seat is an equal member of the Committee in all other ways, with access to all Committee papers, officers, meetings and training, along with the opportunity to contribute to the decision making process.

Local Pension Board

In line with all public service pension schemes, each Local Government Pension Scheme (LGPS) Fund is required to have a Local Pension Board.

The Local Pension Board for the Norfolk Pension Fund is called the **Norfolk Pension Fund Pensions Oversight Board** and is known colloquially as the **Pensions Oversight Board**.

Role of the Pensions Oversight Board

The role of the **Pensions Oversight Board**, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, ("the Regulations") is to:

- Assist the **Administering Authority** to secure compliance with:
  - the Regulations and any other legislation relating to the governance and administration of the Local Government Pension Scheme (LGPS);
  - requirements imposed in relation to the LGPS by the Pensions Regulator (tPR); and
  - such other matters as the LGPS regulations may specify
- Assist the **Administering Authority** to ensure the effective and efficient governance and administration of the Norfolk Pension Fund
- Provide the **Administering Authority** with such information as it requires ensuring that any member of the **Pensions Oversight Board** or person to be appointed to the **Pensions Oversight Board** does not have a conflict of interest

The **Pensions Oversight Board** also helps ensure that the Norfolk Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by The Pensions Regulator.

The creation of the **Pensions Oversight Board** does not change the core role of the **Administering Authority** nor the way it delegates its pension functions to the **Pensions Committee**. The **Pensions Oversight Board** does not replace the **Administering Authority** nor make decisions which are the responsibility of the **Administering Authority** under both the Regulations and other relevant legislation.

The **Pensions Oversight Board** only has the power to oversee decisions made by the **Administering Authority** and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

The full **Terms of Reference** for the **Pensions Oversight Board** are on the Norfolk Pension Fund website at **www.norfolkpensionsfund.org**.

Pensions Oversight Board Membership

The **Pensions Oversight Board** has an equal number of scheme member and scheme employer representatives (three of each), along with an Independent Chairman:

Independent Chair	Kevin McDonald, Director of Pensions, Essex Pension Fund
Scheme Member Representative	John Harries (Active/Deferred member)
Scheme Member Representative	Brian Wigg (Pensioner member)
Scheme Member Representative	Rachel Farmer (Trade Union)
Scheme Employer Representative	Cllr Chris Walker, Poringland Parish Council (Levying/precepting employers)
Scheme Employer Representative	*Vacant (resigned May 2017)* (Non-levying/precepting employers)
Scheme Employer Representative	Debbie Beck, Norfolk County Council

Scheme member and employer representatives are appointed to the board for an initial term of 2 years, to be extended to up to 4 years.

Pensions Oversight Board members comply with the Norfolk Pension Fund training policy, and training opportunities are as far as possible are shared with the **Pensions Committee**. Each member of the **Pensions Oversight Board** is responsible for complying with the knowledge and understanding requirements of section 248A of the Pensions Act 2004.

Pensions Oversight Board Meetings

There are at least two **Pensions Oversight Board** meetings a year.

Papers, agendas and minutes of these meetings are published on the Norfolk Pension Fund website at **www.norfolkpensionfund.org**.

In addition, the **Pensions Oversight Board** produce an annual report in accordance with any regulatory requirements.

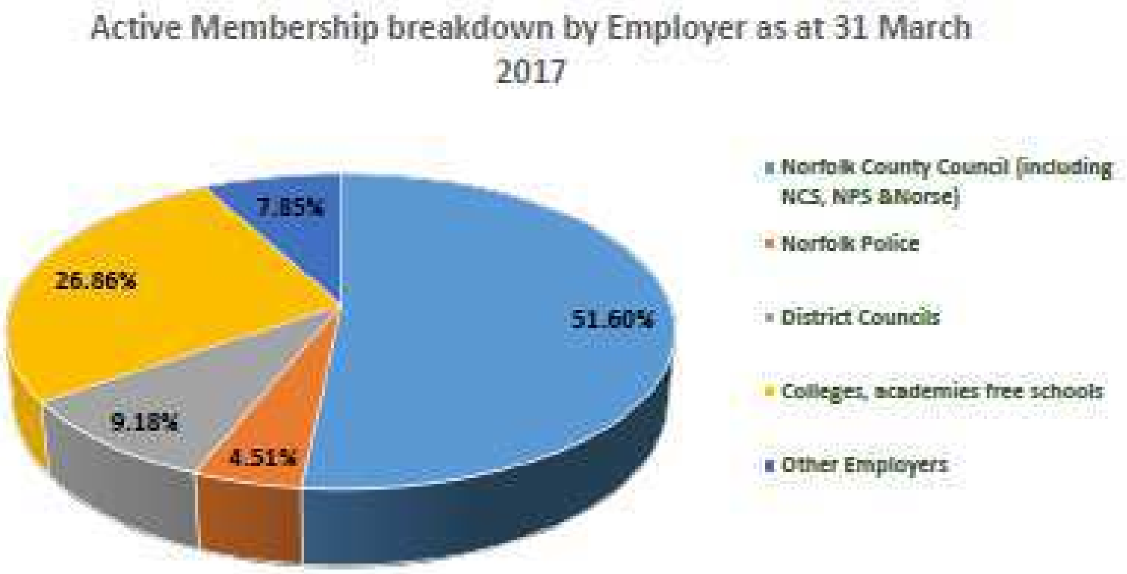
Executive Director of Finance and Resources

- The **Executive Director of Finance and Resources** is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
    - The administration and financial accounting of the Fund
    - The preparation of the Pension Fund Annual Statement of Accounts

Legislation and Regulations

- The Norfolk Pension Fund administers the Local Government Pension Scheme (LGPS) in Norfolk and is governed by the:
    - Local Government Pension Scheme Regulations 2013
    - Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014
    - Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
    - Local Government Pension Scheme (Amendment) Regulations 2015
    - Local Government Pension Scheme (Management and Investment of funds) Regulations 2009, and subsequent amendments
- **Pensions Committee** is governed by Norfolk County Council's procedural rules under the Council's Constitution. The Committee's **Terms of Reference** are:
- "To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:
    - Functions relating to local government pensions etc under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972
    - To receive and consider the draft Financial Statements for the Norfolk Pension Fund
    - To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved"
- Financial affairs are conducted in compliance with Norfolk County Council's Financial Regulations
- Funds are invested in compliance with the Norfolk Pension Fund's Statement of Investment Principles

Membership of the Fund and Local Accountability



Local Accountability - Representation

Employers

- Employers are directly represented on Pensions Committee and the Pensions Oversight Board
- All employers are invited to regular Employer Forums and the Annual Meeting

Scheme Members

- Scheme Members are directly represented on Pensions Committee and the Pensions Oversight Board
- All active and deferred scheme members are invited to the Annual Meeting and Pensions Clinics; retired members are invited to the Retired Members Forum

Membership as at 31 March 2017

322 Contributing Employers

23,220 Pensioners

(members in receipt of a pension from the Fund)

28,469 Active Members

(members who are currently in the employment of a participating employer)

34,216 Deferred members

(members who have left the employment of a participating employer, but who are not yet in receipt of their pension)

Local Accountability - Transparency

- The Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders
- How it does this is set out in the annually updated Customer Care and Communication Strategy Statement. This is on our website at **www.norfolkpensionfund.org**
- Pensions Committee reports, agendas and minutes are published on the Norfolk County Council website at **www.norfolk.gov.uk**
- Pensions Committee meetings are open to the public
- Pensions Oversight Board reports, agendas and minutes are published on the Norfolk Pension Fund website at **www.norfolkpensionfund.org**
- The Annual Pension Fund Report and Accounts, reporting on the activities and investment performance of the Fund, and including the Pensions Oversight Board annual report, are on our website at **www.norfolkpensionfund.org**
- Payments over £500 are published on the Norfolk County Council website at **https://www.norfolk.gov.uk/what-we-do-and-how-we-work/open-data-fois-and-data-protection/open-data/payments-to-suppliers**
- Extracts from the Annual Report and a signpost to the whole document are included in the Annual Benefit Statement sent to all scheme members, and in Primetime, the annual magazine sent to all retired members
- All scheme members and employers are invited to an Annual Meeting
- All employers and members of the Pensions Committee are invited to our Employer Forums, held twice a year. These are an opportunity for employers to discuss matters of interest to their organisations with officers and members

Contact Us

Norfolk Pension Fund

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The Norfolk Pension Fund
Governance Compliance Statement as at August 2017
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle A – Structure

	Not compliant*				Fully compliant
a					√
b					√
c					√
d					√

a. The management of the administration of benefits and strategic management of fund assets rests clearly with the main committee established by the appointing council.
Full Council have delegated responsibility to Pensions Committee to administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members).

b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
In addition to the Norfolk County Council members, 2 district councillors elected by the Local Government Association represent the largest group of employers; an additional observer seat is available to all other employers. Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative.

c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
There is no formal secondary committee or panel. Regular employers' forums and other activities detailed within the communication strategy ensure effective communication. A Local Pension Board has been established (known locally as the Pensions Oversight Board [POB]). POB regularly reports to Pensions Committee and POB members observe all Pensions Committee meetings.

d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.
No formal secondary committee or panel has been established. However employers are regularly reminded via the Employers' Forum and Employers newsletters of the observer seat at Committee. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. Some Committee and POB Members also attend Employer Forum meetings and member events.

The Norfolk Pension Fund
Governance Compliance Statement as at August 2017
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle B – Representation

	Not compliant*				Fully compliant
a.i					√
.ii					√
.iii					√
.iiii					√

a That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:

i Employing authorities (including non scheme employers, e.g. admitted bodies)
Two district councillors elected by the Local Government Association represent the largest group of employers. An additional observer is seat available to all other employers. POB: 3 employer representatives; all employers are invited to stand for POB.

ii Scheme members (including deferred and pensioner scheme members)
Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. POB: 3 scheme member representatives; all scheme members invited to stand for election.

iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee; they also attend POB as required.

iv Expert advisors (on an ad-hoc basis)
Expert advisors are invited to attend committee and POB as and when necessary.

Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					√
b					√

a That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.
In addition to general Councillor Induction for newly elected members, Pensions Committee / POB members are briefed on appointment to Pensions Committee / POB

by the Head of Pensions. Other elected members who do not sit on Pensions Committee are briefed as required / requested.

b That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.
This is a standing agenda item for each committee and POB meeting.

Principle D – Voting

	Not compliant*				Fully compliant
A					√

a The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
Voting rights are set out in the Norfolk Pension Funds Governance statement which is published on the Funds website, www.norfolkpensionfund.org . All members of Pensions Committee have voting rights, including the Staff Representative. All Employer and Scheme member representatives on POB have voting rights.

Principle E – Training / facility time / expenses

	Not compliant*				Fully compliant
A					√
B					√
C					√

a That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.
We use Norfolk County Councils' generic elected member remuneration policy, which includes Travel and Subsistence allowances. POB members can claim travel and Subsistence costs incurred. In addition, the Fund maintains a training budget for Pensions Committee and POB for the delivery of our on going members training programme, and related expenses.

b That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.
We give the same allowances to other individuals / bodies where necessary, for example the Staff Representative, members of the Pensions Oversight Board (Local Pension Board).

The Norfolk Pension Fund
Governance Compliance Statement as at August 2017
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member and POB training needs are considered alongside the 12 month committee agenda planning process. However training is business driven, and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Member training is supplemented by attending LGA and other associated events, as well as an annual comprehensive 2 day bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues. A Training Log is maintained.

Principle F – Meetings (frequency / quorum)

	Not compliant*				Fully compliant
a					√
b					√
c					√

a That an administering authority's main committee or committees meet at least quarterly.
The Pensions Committee meets quarterly.

b That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
There is no formal secondary committee or panel. The Employers' Forum meets regularly, planned around operational requirements. POB meets regularly, aligned to Committee timetable.

c That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
A Staff Representative (who represents all current, deferred and retired scheme members) sits on Pensions Committee. Also an Observer Seat at Committee is available to Employers not directly represented, and Employers are reminded of this at Forums and via other publications. In addition, regular Employers' Forums, an Annual Meeting for all scheme members (including Deferreds) and Retired Members annual events are held. Pensions Oversight Board (Local Pension Board) equal employer /scheme member membership.

Principle G – Access

	Not compliant*				Fully compliant
a					√

The Norfolk Pension Fund
Governance Compliance Statement as at August 2017
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

a That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
All committee and POB members have equal access to committee papers, documents and advice. Minutes of Committee Meetings are published on Norfolk County Councils website:
http://norfolkcc.cmis.uk.com/norfolkcc/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/30/Default.aspx
POB minutes are published on the Norfolk Pension Fund's website:
https://www.norfolkpensionfund.org/about-us/local-pension-board/

Principle H – Scope

	Not compliant*				Fully compliant
a					√

a That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.
The Norfolk Pension Fund adopts a holistic approach to pension fund management. Pensions Committee is responsible for all aspects of the management of the pension fund (investment and administration) and delivery of its services, including all relevant budgets, strategies and service planning.

Principle I – Publicity

	Not compliant*				Fully compliant
a					√

a That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.
The Norfolk Pension Funds Governance Statement and Communication and Customer Care Strategy are published on the Funds' website www.norfolkpensionfund.org, and included within the Pension Fund Annual Report (which is also published on our website), with hard copies of each available on request. Employers are reminded via the Employers Forum and Employers Newsletters that there is an observer seat at Committee for Employers not directly represented. Scheme Members receive an annual booklet with news of the Funds performance, legislative changes and other relevant pension's news, and are invited to a formal annual meeting. Retired members are invited to the annual retired members' events, and also receive an annual newsletter. All scheme members and employers were invited to stand for membership of the Pensions Oversight Board (Local Pensions Board).

Audit Committee

Item No……

Report title:	**Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2017**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

This report introduces our External Auditor's (Ernst and Young) Draft Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2017.

Executive summary

Recommendation:

It is recommended that the Audit Committee should consider the Draft Ernst and Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2017, at Appendix A.

Members are invited to:

- Consider the matters raised in the draft reports before Ernst and Young issue their audit opinion.

1. Introduction

Each year, the Council's External Auditors (Ernst and Young) produce Audit Results Reports summarising their work and findings. The External Auditor has substantially completed the audit and can therefore issue a draft report. Those drafts may be subject to change.

2. Evidence

2.1 Appendix A1 to this report sets out the Draft Ernst and Young Norfolk County Council Audit Results Report – Audit Committee Summary for the year ended 31 March 2017.

2.2 Appendix A2 to this report sets out the Draft Ernst and Young Norfolk Pension Fund Audit Results Report – Audit Committee Summary for the year ended 31 March 2017. This report will be reported to the Pensions Committee.

3. Financial Implications

3.1 This report is based on work covering of all of the Council's finances during 2016-17 as described in the Annual Statement of Accounts.

3.2 The cost of the audit are set out in the audit results report are consistent with the fee as described in the External Audit Plan which was presented to this this Committee in April.

4. Issues, risks and innovation

4.1 There are no specific issues, risks or innovations to report.

5. Background

5.1 Background papers:

- External Audit Plan: (Audit Committee Agenda 15 June 2017, Item 8, page 21)

Officer Contact

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

Officer name	Telephone	Email
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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.

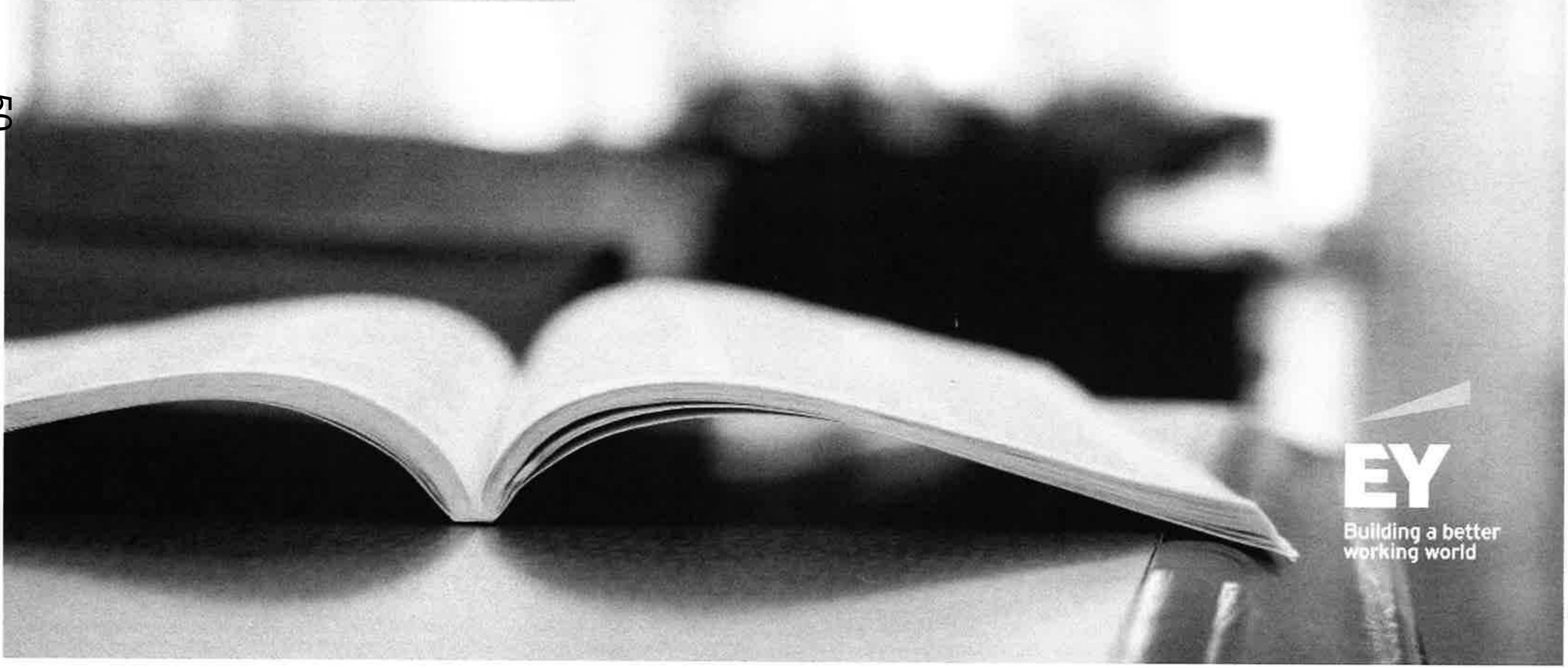
Appendix A

A1 Draft Norfolk County Council Audit Results Report 2016-17

A2 Draft Norfolk Pension Fund Audit Results Report 2016-17 – to follow

Norfolk County Council
Audit results report

Year ended 31 March 2017



12 September 2017

Dear Audit Committee Members

We have substantially completed our audit of Norfolk County Council (the Council) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3, before the statutory deadline of 30 September 2017.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Mark Hodgson
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

Contents

01 Executive Summary

Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to your Audit Committee meeting on the 15 June 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £13.4 million (for group this was £15.3 million). We reassessed this using the actual results for the financial year, which has increased this amount to £14.5 million (for group this was £16.1 million). The threshold for reporting audit differences has increased from £0.672 million to £0.726 million (for group this has increased from £0.764 million to £0.807 million). The basis of our assessment is 1% of gross operating expenditure, which has remained consistent with prior years.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Fire Pension Scheme - We have adopted a smaller materiality of 1% of benefits payable to reflect the differing nature of the Pension Scheme. We have applied a materiality of £71,750 with a reporting threshold for audit differences of £3,588.
- Remuneration disclosures - including any exit packages and termination benefits: Reduced materiality level is applied to our testing of disclosures for completeness and accuracy. This is in line with the bandings reported in the accounts;
- Related party transactions - The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality; and
- Members' allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

Executive Summary

Status of the audit

We have substantially completed our audit of Norfolk County Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items (outstanding as of 12 September 2017) we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3 - Audit Report. However until work is complete, further amendments may arise:

- Receipt of group reporting pack from the external auditors to Norse and review of the work performed by the external auditors to Norse to inform their group reporting pack;
- Complete our testing on the WGA return;
- Final Director and Manager review of the completed audit work;
- Review of the final version of the financial statements;
- Completion of subsequent events review; and
- Receipt of the signed accounts and management representation letter.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive summary (continued)

Audit differences

There are no unadjusted audit differences arising from our audit.

We have identified a limited number of adjustments which have been corrected by management in the revised financial statements subject to approval. These are set out in Section 4.

We also identified a limited number of minor disclosure adjustments which have also been corrected by management. The more significant of these are set out in Section 4.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we identified one significant risk concerning sustainable resource deployment and the achievement of savings needed over the medium term.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. We are yet to complete our work on the Whole of Government Accounts (WGA) return. We are currently scheduled to complete this work prior to 30 September 2017. Once completed we will report any matters arising to the Audit Committee, if required.

We have no other matters to report.

Control observations

In accordance with our Audit Plan we have tested the key financial controls within the Accounts Receivable, Accounts Payable, Payroll and LMS Schools financial systems. We have been able to place reliance on the general IT controls supporting these financial systems. We have identified one control weakness concerning the Accounts Payable financial system.

Details of the weakness are set out in section 7. We undertook additional procedures to mitigate the impact of the weakness on our audit strategy.

During the completion of our audit 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 and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to bring to your attention.

02 Areas of Audit Focus

Audit issues and approach: Significant risks (including fraud risks)

Risk of fraud in revenue recognition

What are our conclusions?

We have not identified any material weaknesses in the recognition of revenue.

We have not identified any instances of inappropriate judgements or estimates being applied.

What is the risk?

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have rebutted this risk for the Council's income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.

Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- Reviewed and tested revenue and expenditure recognition policies;
- Challenged management on the accounting estimates for depreciation, provisions, PPE valuations and accruals;
- Tested material revenue and expenditure streams;
- Reviewed and tested revenue cut-off at the period end date; and
- Tested a sample of the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital in nature.

Audit issues and approach: Significant risks (including fraud risks)

Management override

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- Testing the appropriateness of journal entries recorded in the general ledger (using our data analytics tool) and other adjustments made in preparing the financial statements;
- Reviewing significant accounting estimates (e.g. valuations of property, plant and equipment and pensions) for evidence of management bias including a review of the methodology used to calculate the estimates at the year-end; and
- Evaluating the business rationale for significant unusual transactions.

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 Council's normal course of business.

Audit issues and approach: Management Override of Controls

Management Override - Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. Due to their significance on the financial statements we have included these estimates as higher inherent risk in our audit strategy and include a separate section to report on this below. The key estimates are considered to be:

- The valuation of property, plant and equipment.
- Valuation of pension liabilities.

Specifically in relation to other liabilities we consider that accruals are low risk as the majority are based on known values/invoices. As such we have focused our work on provisions.

The provisions balance in the financial statements is £25.673 million at 31 March 2017 (£27.391 million at 31 March 2016). The majority of this balance is:

- **Insurance Provision** (£10.665 million) which is required to meet the uncovered element of insurance claims (for example policy excesses or claims below a threshold which are wholly funded by the Council). We have reviewed and considered the reasonableness of the calculation for the provision. We have reviewed the work of management's expert and carried out procedures to place reliance on the expert.

- **Landfill Provision** (£11.073 million) which represents the discounted cost of making adequate provision for the monitoring and maintenance of closed landfill sites in accordance with guidance issued by the Environment Agency. We have reviewed and considered the reasonableness of the calculation of the provision. We have performed a high level review of the calculation with no issues noted. Management assumptions are considered to be reasonable.

The remainder of the Council's estimates, including bad debt provision and depreciation are considered to be low risk. No issues were noted in our work in these areas.

Other audit issues and approach

Academies

As set out in our audit plan, a number of schools have continued to convert to academy status since 2015/16. This has implications for the treatment of the schools' property, plant and equipment (PPE), debtors, creditors, cash, balances and income (including dedicated schools grant) and expenditure within the Council's accounts. Due to the size of the Authority's PPE balance we have focussed our work on this area. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

In completing our audit procedures we have reviewed the arrangements for agreeing Schools assets, liabilities and balances for transfer and reviewed how they have been accounted for. This has also included reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year. The remainder of the areas (Debtors, creditors, cash, income and expenditure) are lower risk and have been considered in our movement analysis on the financial statement balances. We have not identified any exceptions in the completion of our audit work.

Pension Assets and Liabilities - IAS19

The Council operates a defined benefits pension scheme. Accounting for this scheme involves significant estimation and judgement. The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this net liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £861.326 million (£585.246 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the audit engagement team for Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council;
- Assessing the conclusions drawn on the work and assumptions used by Hymans (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We have assessed and are satisfied with the competency and objectivity of the Council's actuary Hymans Robertson LLP. EY Pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.

The sensitivities surrounding these assumptions have been correctly disclosed in Note 6 and 39 to the financial statements.

No issues have been identified in completing our work.

Other audit issues arising and approach (continued)

Minimum revenue provision

The Council are required to charge the minimum revenue provision (MRP) to the Council's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Council makes a satisfactory annual provision for loan repayments. The Council reviewed their MRP policy during 2016/17 and identified that MRP of £66 million had been over-provided, based on a retrospective application of the Council's new MRP policy. The Council plan to release this amount over the period of the Medium Term Financial Plan. This provided a finance general saving of £10 million in 2016/17.

Our approach has focused on:

- Assessing the conclusions drawn on the work and assumptions used by Capita (the Council's treasury management advisor); and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to MRP.

We have gained sufficient assurance for the release of the over provision used in 2016/17. We continue to work with officers on the ongoing assessment of MRP and the impact this has over the MTFS. We will conclude this work with officers in 2017/18.

Other audit issues arising and approach (continued)

Property, plant and equipment - valuation

Property, plant and equipment (PPE) represent a significant balance in the Council's accounts and this is an area which involves judgemental inputs and estimates.

The Council engages an external expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued, being 'Other land and Buildings' and 'Surplus assets'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Our approach has focused on:

- Consideration of the work performed by the Council's valuer, Norfolk Property Services (NPS), including the adequacy of the scope of the work performed, professional capabilities and the results of their work;
- Review and sample testing over the key asset information used by NPS in performing their valuation (e.g. floor plans to support valuations based on price per square meter);
- Consideration of the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review of the desktop review performed by management over assets not subject to valuation in 2016/17 to confirm that the remaining asset base is not materially misstated;
- Consideration of external evidence of assets values via reference to the specific Local Government Gerald Eve report commissioned by the NAO for auditor use. Specifically we have considered if this indicates any material variances to the asset valuations performed by NPS and the desktop review by management;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Considered whether asset categories held at cost have been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

We have not identified any material issues in the valuations based on our work.

Other audit issues arising and approach (continued)

Valuation of the Northern Distributor Route Compensation Provision

In our Audit Plan we reported that the Council was reviewing compensation arrangements in relation to the construction of the Northern Distributor Route. We attached a higher audit risk to these transactions as they represented a new material liability to the Council. The full liability was calculated as £20.6 million, £6.4 million was paid in year and an accrual of £14.2 million raised for the remainder.

Our approach has focused on:

- Consideration of the work performed by the Council's valuer, Norfolk Property Services (NPS), to calculate the compensation due under compulsory purchase orders;
- Review and testing of the key asset information used by NPS in performing their valuation (e.g. land areas to support valuations based on price per square acre);
- Consideration of the arrangements to identify all land subject to a compulsory purchase order; and
- Testing that the accounting entries have been correctly processed in the financial statements.

We have not identified any material issues in the work performed.

Financial statements presentation - Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments have been made to the Code this year changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' (EFA) note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates and reflects the Council's internal financial reporting structure. This change in the Code has required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives has required audit review which was performed in April 2017.

Our audit approach has focused on:

- Reviewing the expenditure and funding analysis, CIES and new notes for the single entity and group accounts to ensure disclosures are in line with the Code;
- Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

We have not identified any material issues in the work performed.


03
Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of Norfolk County Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Movement in Reserves Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, the related notes 1 to 44 to the Authority Accounts including the Authority Expenditure and Funding Analysis and, and notes G1 to G13 to the Group Accounts, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Norfolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director of Finance and Commercial Services and auditor

As explained more fully in the *Statement of Responsibilities* set out on page 13, the Executive Director of Finance and Commercial Services is responsible for the preparation of the Statement of Accounts, which includes the 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Commercial Services; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the *Statement of Accounts 2016-17* to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Draft audit report (continued)

Our opinion on the financial statements

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the financial position of Norfolk County Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters
In our opinion, the information given in the *Statement of Accounts 2016-17for* the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception
We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Authority's responsibilities

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

Draft audit report (continued)

Our opinion on the financial statements

Auditor's responsibilities
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion
On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Norfolk County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate
We certify that we have completed the audit of the accounts of Norfolk County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

04 Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and 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 have included all known amounts greater than £0.726 million relating to Norfolk County Council in our summary of misstatements table below.

We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

- £38.4 million error in the Comprehensive Income and Expenditure Statement (CIES) concerning recharges. The adjustment required both expenditure and income to increase by £38.4 million.
- £1.8 million classification error in the Comprehensive Income and Expenditure Statement (CIES) concerning a decrease in the fair value of investment properties. The adjustment required expenditure of £1.8 million to be moved from the 'Cost of services' to the 'Financing and investment income and expenditure' lines within the CIES.
- £1 million overstatement of both Creditors and Property plant and equipment additions due to an accruals over-statement.
- During further analysis following the approval of the draft accounts, officers noted that capital grants totalling £3.7million had been incorrectly classified as unconditional instead of conditional. This required amendment to the CIES - 'Taxation and Non-specific grant income' line, with a corresponding adjustment to 'Capital Grants Receipts in Advance' in the Balance Sheet.
- The Norse group issued a revised group reporting pack following the issuing of the Council's draft financial statements. Officers amended the draft financial statements and audit work focussed on the amended entries. There were a number of amendments, the overall impact being a £3.5 million reduction in net reserves.

Amendments were also made to the corresponding disclosure notes and where appropriate, the Movement in Reserves and Cash Flow statement.

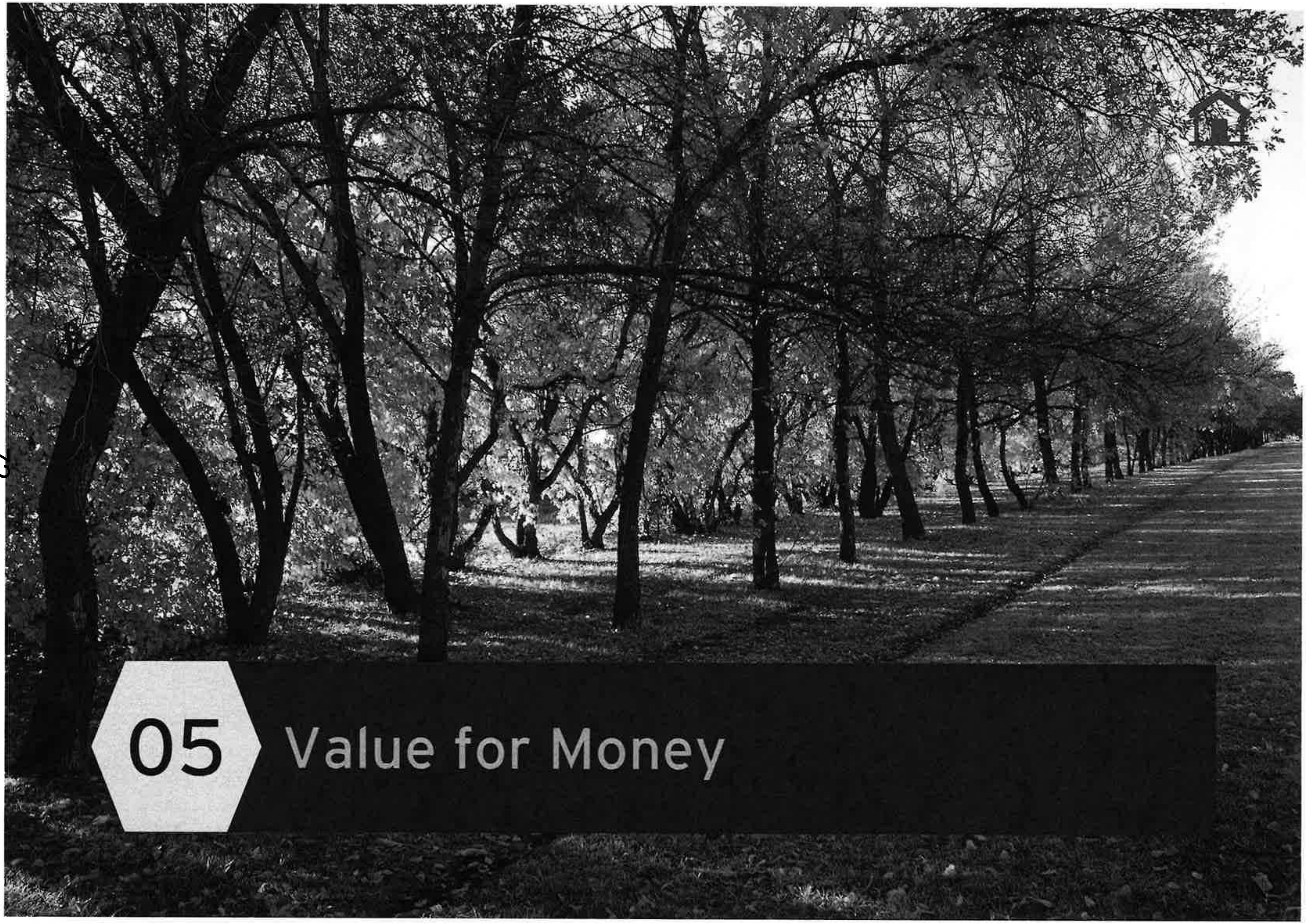
Disclosure Adjustments

We highlight the following misstatement in the disclosure notes identified during the audit. This has been corrected by management:

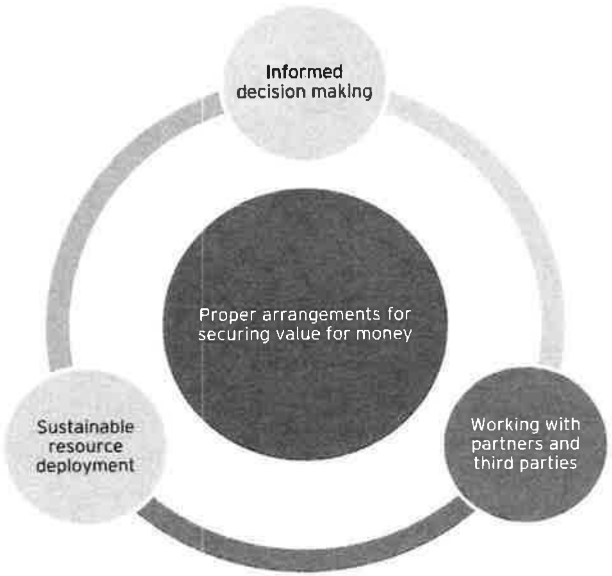
- Classification error in Note 18 - Debtors. Debtors of £7.3 million were incorrectly included in 'Other entities and individuals', when they should have been included in the 'Central government bodies' line.

We have also identified a number of other minor text and disclosure adjustments during the audit that have been updated by management in the financial statements. This includes changes to disclosure notes covering financial instruments, officers' remuneration, PFI and joint arrangements. We do not deem any of these to be so significant that they require reporting to you in detail.

At the time of writing this report there are no uncorrected misstatements.


05
Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk in our Audit Plan and any other significant weaknesses or issues we want to bring to your attention.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money

VFM risks

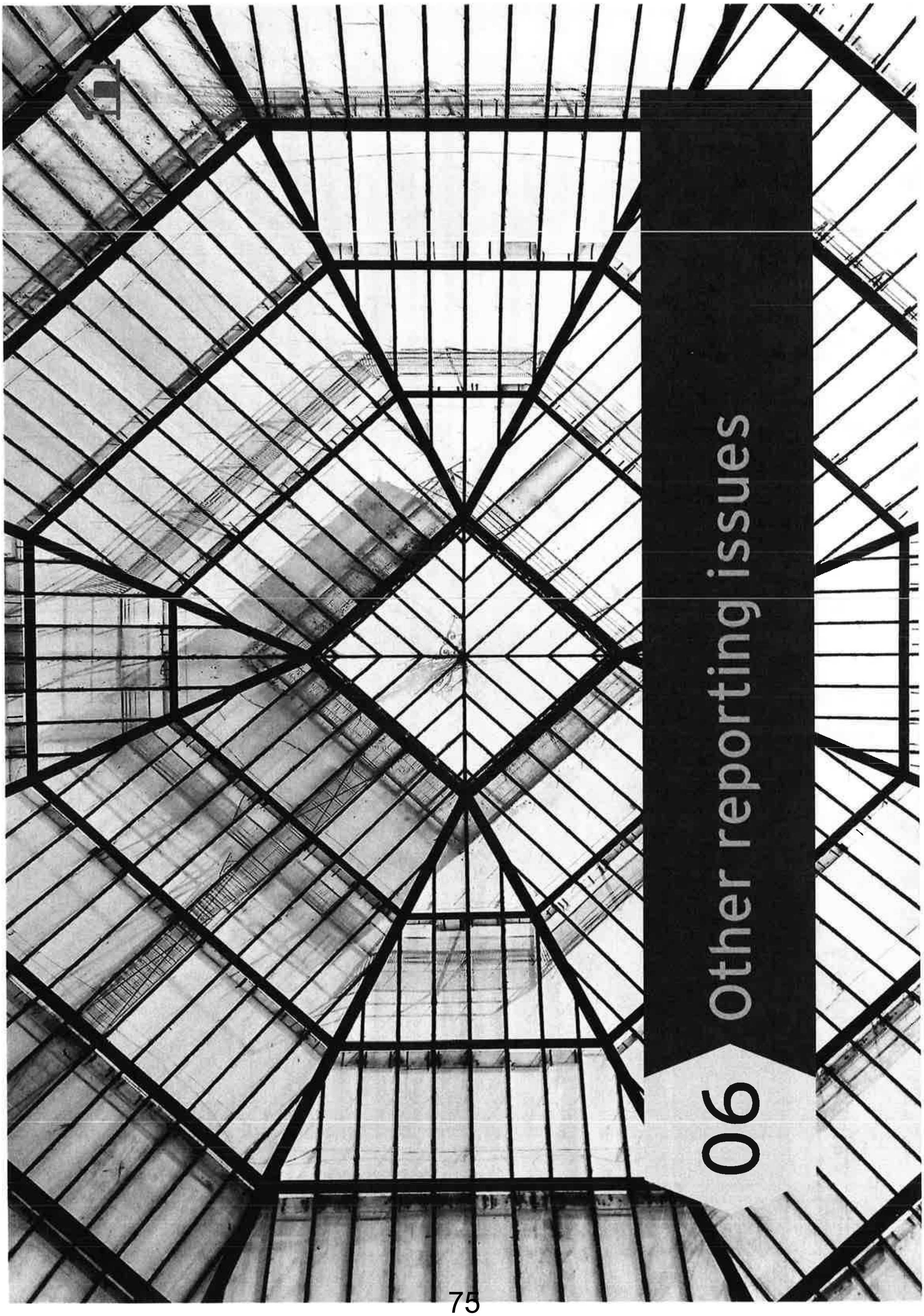
We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Plan.

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
Sustainable resource deployment: Achievement of savings needed over the medium term In its MTFS issued in February 2015, the Council identified a cumulative budget gap of £85.7 million over the three years 2015/16 to 2017/18. Since that time, the Council has extended its projections to 2018/19, which has resulted in the inclusion of new cost pressures and increased its saving targets by a further £82.9 million. This includes a total of £58 million to mitigate the impact of any unanticipated financial pressures, and to allow member choices around the delivery of a balanced budget. Although the Council has assessed savings, there remains a risk that savings are not achievable at the planned level.	Deploying resources in a sustainable manner	We have undertaken the procedures as set out in our audit strategy which has focused on: ▸ The adequacy of the Council's budget monitoring process, comparing budget to outturn; ▸ The robustness of any assumptions used in medium term planning; ▸ The Council's approach to prioritising resources whilst maintaining services; and ▸ The savings plans in place, and assessing the likelihood of whether these plans can provide the Council with the required savings/efficiencies over the medium term. The Council has a savings target of £47.774 million in 2017/18 and the medium term financial strategy sets a further net savings requirement of £43.481 for 2018/19. The scale of savings and service transformation to be delivered by the Council over the medium term remain significant. However, at the end of Period two (May 17) the Council was forecasting to deliver savings of £46.592 million, and during the 2017/18 budget setting process the Council had already identified savings for 2018/19 amounting to £27.772 million. In addition, the Council's level of un-earmarked general fund reserves (£19.301 million at 31 March 2017) are being maintained at the minimum levels range set by the Council's s151 officer. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Council's financial standing. The Council also has in place general fund earmarked reserves (£75.187 million at 31 March 2017). These have been established for a number of purposes, including the financial consequences of matters that have not yet arisen or to fund specific service areas/projects. The existence of these reserves provides further evidence of the Council's prudent approach to financial management. Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivery has not identified any significant matters that we wish to report to you.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and Narrative Report and can confirm they are consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

The Authority is above the threshold and requires a full review. We are yet to complete our work on the Whole of Government Accounts (WGA) return. We are currently scheduled to complete this work prior to 30 September 2017. Once completed we will report any matters arising to the Audit Committee, if required.

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 reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council'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.

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have only requested standard representations. Appendix D sets out our request for these representations.

We have no matters to report.

07 Assessment of Control Environment

Assessment of control environment

Financial controls

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

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.

In accordance with our Audit Plan we have tested the key financial controls within the accounts receivable, accounts payable, payroll and LMS financial systems.

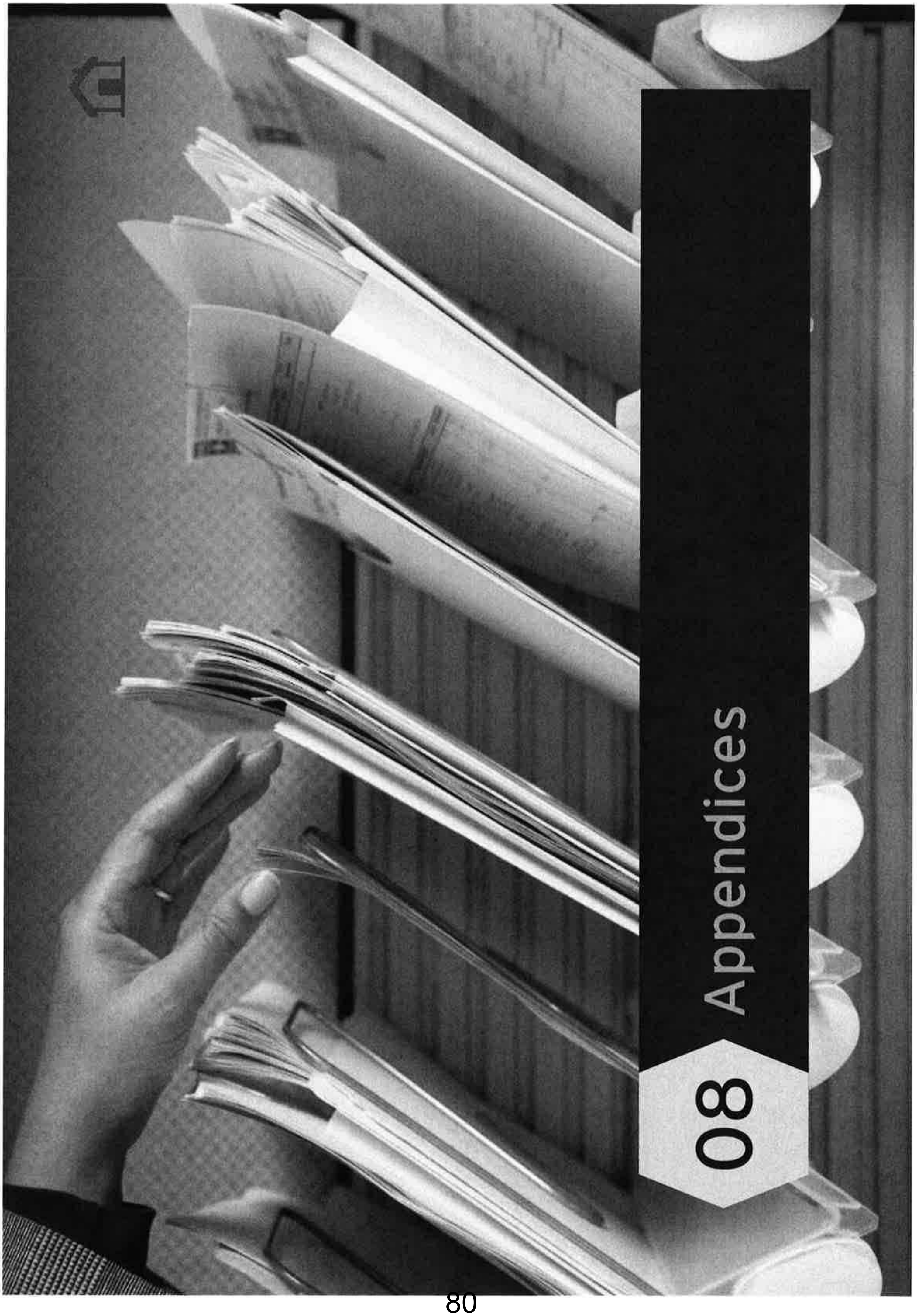
Testing of controls in the Accounts Payable financial system identified that it is possible for the same person to both raise an order and receive delegated responsibility to approve the payment. This represents a lack of segregation of duties. As we see this as a key control, we carried out additional procedures to ensure this control weakness had not resulted in a material error within the financial statements.

Recommendation: ***The Council should review delegation procedures for the accounts payable financial system to mitigate the same person raising an order and approving payment.***

We have no other matters that we wish to report.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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



08 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	June 2017 Audit Plan
Significant findings from the audit	▸ Our view of the 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	September 2017 Audit Results Report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Norfolk County Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Significant corrected misstatements, in writing	September 2017 Audit Results Report

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Fraud	▸ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▸ A discussion of any other matters related to fraud, relevant to 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.
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and/or regulations ▸ Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Subsequent events	▸ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Other information	▸ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	September 2017 Audit Results Report
External confirmations	▸ Management's refusal for us to request confirmations ▸ We were unable to obtain relevant and reliable audit evidence from other procedures.	We have no matters to report.
Consideration of laws and/or regulations	▸ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▸ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	► Significant deficiencies in internal controls identified during the audit.	August 2017 Audit Results Report
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating 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 on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,	June 2017 - Audit Plan September 2017 - Audit Results Report
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	June 2017 - Audit Plan September 2017 - Audit Results Report

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan presented June 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 21 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

Description	Expected Final fee 2016/17 £'s	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code work	131,084 Note 1	127,742	127,742	134,081
Total audit fee - Non code work	TBC Note 2	TBC	N/a	14,900

Note 1: Our actual fee is higher than the scale fee set by the Public Sector Audit Appointments (PSAA) Ltd due to additional work required to review the Council's revised Minimum Revenue Provision policy. This additional work had an additional fee of £3,342. These additional fees are subject to agreement with PSAA.

Note 2: The fee for non-audit work will be discussed with management and reported to the Audit Committee in subsequent reporting once the scope of work has been agreed for 2016/17. This work relates to the agreed upon procedures certification arrangements for the Teachers' Pension grant return and Major Projects Return.

We will confirm our final fees following the completion of our audit and non-audit work and report this within our Annual Audit Letter.

Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Norfolk County Council
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; ▸ Financial hedge accounting; and ▸ The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: ▸ Reclassify existing financial instrument assets; ▸ Remeasure and recalculate potential impairments of those assets; and ▸ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: ▸ Leases; ▸ Financial instruments; ▸ Insurance contracts; and ▸ Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.	As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to: ▸ Disaggregate revenue into appropriate categories; ▸ Identify relevant performance obligations and allocate income to each; and ▸ Summarise significant judgements.

Appendix C

Name	Summary of key measures	Impact on Norfolk County Council
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.

Appendix C

Progress report on implementation of new standards and regulations

In previous reports to the Audit Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures	Impact on Norfolk County Council
Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	These changes provide challenges for both the preparers and the auditors of the financial statements. To prepare for this change the Council has reviewed and amended the closedown process to achieve draft accounts production by early June for 2016/17. We will work with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example: ▸ Streamlining the Statement of Accounts removing all non-material disclosure notes; ▸ Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; ▸ Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; ▸ Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; ▸ Establishing and agreeing working materiality amounts with the auditors.

Appendix D - Request for a Management representation letter

Building a better working world

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Simon George
Executive Director of Finance and Commercial Services
Norfolk County Council
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Martineau Lane
Norwich
Norfolk NR1 2DH

12 September 2017

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Simon,

Norfolk County Council – 2016/17 financial year
Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

Appendix D - Request for a Management representation letter

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 County Council ("the Council") for the year ended 31 March 2017.

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 Council financial position of Norfolk County Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the council's financial statements. We believe the 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 Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the council financial statements.

3. You confirm that the Responsible Officer has:

   - Reviewed the accounts
   - Reviewed all relevant written assurances relating to the accounts, and
   - Made other enquiries as appropriate.

4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately cescribed in the financial statements.

Appendix D - Request for a Management representation letter

5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

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.

   You have not corrected these differences identified by and brought to your attention by the auditor because - specify reasons for not correcting misstatement.

B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements.

   You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. 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 as agreed in terms of the audit engagement.
   - Additional information that we have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

Appendix D - Request for a Management representation letter

2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. That you have made available to us 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: 21 September 2017.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council 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 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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.

2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

F. Subsequent Events

1. That other than described in the relevant note to the Council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.

Appendix D - Request for a Management representation letter

- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Group audits

1. That there are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. That the necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

I. Expenditure Funding Analysis

1. That you have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. You confirm that the financial statements reflect the operating segments reported internally to the Council.

J. Going Concern

1. That you have made us aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

K. Ownership of Assets

1. That 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).

L. Reserves

1. You have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

Appendix D - Request for a Management representation letter

M. Valuation of Property, Plant and Equipment Assets

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. You confirm that the significant assumptions used in making the valuation of assets 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 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 2016/17.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.
5. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
6. You confirm that for assets carried at historic cost, that no impairment is required.

N. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

O. Use of the Work of a Specialist – Pension Liabilities

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

P. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. You 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. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Appendix D - Request for a Management representation letter

4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

Q. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2016-2017.

2. You confirm that the content contained within the other information is consistent with the financial statements.

R. Specific Representations

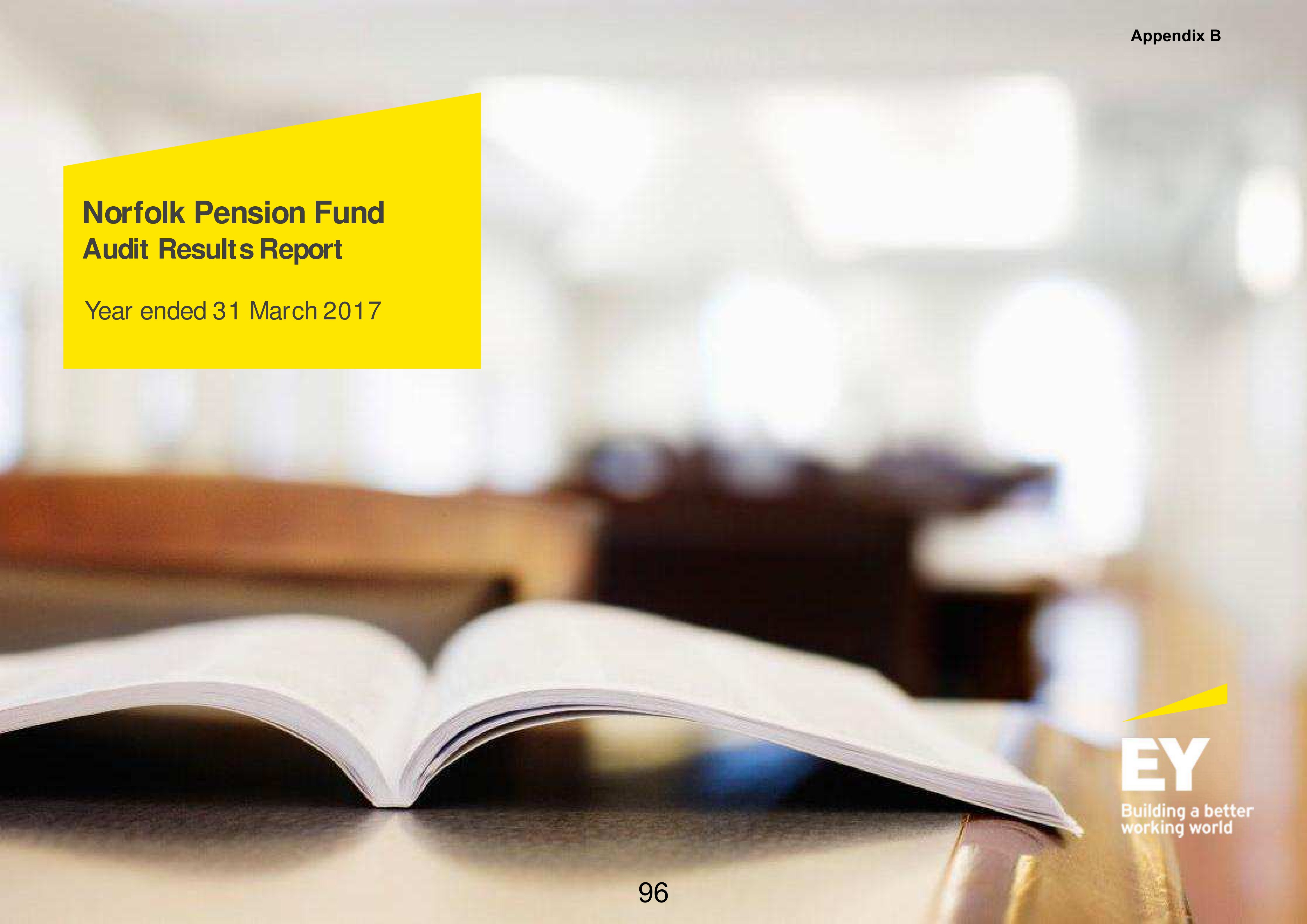
We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (currently 22 September 2017) on formal headed paper.

Yours sincerely

Mark Hodgson
Executive Director
Ernst & Young LLP
United Kingdom

EY | Assurance | Tax | Transactions | Advisory



Norfolk Pension Fund
Audit Results Report

Year ended 31 March 2017

Building a better working world

Private and Confidential September 2017

Dear Audit Committee Members

We have completed our audit of Norfolk Pension Fund (the Fund) for the year ended 31 March 2017 subject to concluding the outstanding matters listed in our report.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the format included in Section 3.

The statutory deadline for 2016/17 is 30 September 2017. We confirm that we expect to issue our audit opinion before this date.

This report is intended solely for the use of the Norfolk County Council Audit Committee (as Those Charged with Governance), other members of the Fund, 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 look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Tessa Gilbert
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The 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 February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit Committee, other members of the Fund and management of Norfolk Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Fund and management of Norfolk Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, other members of the Fund and management of Norfolk Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.

01 Executive Summary

Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the Audit Committee on 15 June 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £29 million. We reassessed this using the actual year-end figures, which have increased this amount to £34.2 million. The threshold for reporting audit differences has increased] from £1.4 million to £1.7 million. The basis of our assessment of materiality has remained consistent with prior years at 1%of Net Assets.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Related Party Transactions - The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.

Status of the audit

We have substantially completed our audit of Norfolk Pension Fund's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund's financial statements in the form which appears in section 3. However until the following work is complete, further amendments may arise:

- Review of the final version of the annual report;
- Completion of subsequent events review;
- Completion of Final Review Procedures; and
- Receipt of the signed management representation letter.

Executive summary (continued)

Audit differences

There are no unadjusted audit differences arising from our audit.

We identified a number of classification and disclosure audit differences in the draft financial statements, which have been adjusted by management. Further details are provided in section 4.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Norfolk Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Report for consistency with the audited financial statements and our knowledge of the Fund and have confirmed that it is consistent.

We have no other matters to report.

We identified from our review of the financial statements that the fair value hierarchy of the valuation of financial instruments was changed during 2016/17 in line with classification guidance in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). The comparative amounts were also changed with a disclosure note explaining the reason for the restatement.

Control observations

During the completion of our audit 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 and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to highlight.

02 Areas of Audit Focus

Audit issues and approach: Management Override of Controls

Management override

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

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We note that we have rebutted the risk of fraud in revenue recognition as we consider the risk of material error due to fraud to be low.

Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- Gaining an understanding of the oversight given by those charged with governance of management's processes and controls in respect of fraud;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation;
- Reviewing accounting estimates (e.g. valuation of investments) for evidence of management bias (see relevant section below where this has been raised as a higher inherent risk);
- Evaluating the business rationale for any significant unusual transactions.

Other audit issues arising

Valuation of complex investments (Unquoted investments)

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 publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Current 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 total fund investment assets at 31 March 2017 are £3.408 billion of which Private Equity Investments (Unquoted) is £198.8 million (5.8%of total investments).

Although the proportion of the fund comprising these investment types is relatively low, these investments are more complex to value. We have identified the Fund's investments in private equity and pooled property investments as a higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

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;
- Comparing the investment value included in the financial statements to direct confirmations from the Fund Managers.
- 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;
- Obtain 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.

As the Custodian provides the estimated value of the unquoted investments based on information at December 2016 for pooled investment vehicles there will always be a possibility that the fund manager will provide a different valuation as at 31 March 2017. For 2017, this variance is £6.8 million where the value of the fund is understated. This has been included in the schedule of misstatements in section 4. Management have amended the financial statements for this updated valuation.

We have not identified any other issues in the completion of our work.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK PENSION FUND

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2017 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 2016/17.

This report is made solely to the members of Norfolk Pension Fund 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.

Respective responsibilities of the Executive Director of Finance and Commercial Services and auditor

As explained more fully in the Statement of Responsibilities of the Executive Director of Finance and Commercial Services set out on page 13, the Executive Director of Finance and Commercial Services 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Commercial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Norfolk County Council Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Draft audit report (continued)

Our opinion on the financial statements

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Norfolk County Council Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Tessa Gilbert
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading

Date: September 2017

The maintenance and integrity of the Norfolk County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

04 Audit Differences

Audit differences

Summary of adjusted differences

We have included all known amounts greater than £1.7 million relating to Norfolk Pension Fund in our summary of misstatements table below. These have been updated by management in the financial statements.

We have identified a number of minor disclosure adjustments during the audit that have been updated by management in the financial statements.

Account 31 March 2017 (£'000)	Fund Account Debit/(Credit) Current Period	Assets Debit/(Credit)
Judgemental differences:		
Being the updated estimated investment values provided by Private Equity Fund Managers as at 31 March 2017: DR Investment assets CR Change in market value of investments *This will also impact the related investment disclosure notes throughout the financial statements.*	(6,848)	6,848
Net Asset Statement totals		6,848
Income effect of corrected misstatements	(6,848)	
Cumulative effect of corrected misstatements	*(6,848)*	*6,848*

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Report

We must give an opinion on the consistency of the financial and non-financial information in the Norfolk County Council Statement of Accounts 2016/17 with the audited financial statements.

We are also required to provide an opinion on the consistency of the financial statements published with the financial statements published in the Norfolk Pension Fund Annual Report and Accounts 2016/17 document.

We have no matters to report in relation to the above.

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 Fund 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 Fund, 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 reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the 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

We have no matters to report.

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.

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 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

Required communications	What is reported?	Our Reporting to you: When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	June 2017 Audit Plan
Significant findings from the audit	• Our view of the 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	September 2017 Audit Results Report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Norfolk Pension Fund's ability to continue for the 12 months from the date of our report.
Misstatements	► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► Significant corrected misstatements, in writing	September 2017 Audit Results Report

Appendix A

Required communications	What is reported?	Our Reporting to you — When and where
Fraud	► Asking the audit committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Fund ► Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ► A discussion of any other matters related to fraud, relevant to 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.
Related parties	Significant matters arising during the audit in connection with the Fund's related parties including, where applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and/or regulations ► Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Subsequent events	► Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Other information	► Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	September 2017 Audit Results Report
External confirmations	► Management's refusal for us to request confirmations ► We were unable to obtain relevant and reliable audit evidence from other procedures.	We have no matters to report.

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Consideration of laws and/or regulations	► Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ► Asking the audit committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit committee.	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.	September 2017 Audit Results Report
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. Communicating 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 on the firm's general policies and processes for maintaining objectivity and independence Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,	June 2017 Audit Plan September 2017 Audit Results Report
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	June 2017 Audit Plan September 2017 Audit Results Report

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 19 April 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 21 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	29,399 Note 1	27,099	27,099

Note 1: As reported in our audit planning board report dated 19 April 2017, we plan charging an additional fee of £2,300 to take into account the enhanced level of work required to respond to IAS19 assurance requests from scheduled bodies.

This additional fee has been discussed with management and is subject to approval by the PSAA.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.

Draft management representation letter

Draft management representation letter

[To be prepared on the entity's letterhead]

[Date]

Tessa Gilbert
Executive Director
Ernst & Young
Apex Plaza
Forbury Road
Reading
RG1 1YE

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 2017. 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 year ended 31 March 2017 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Draft management representation letter (continued)

Draft management representation letter (continued

2. 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.

3. 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 financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and are free of material misstatements, including omissions. We have approved the financial statements.

4. 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, 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 2016/17 that are free from material misstatement, whether due to fraud or error.

6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you 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. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Fund.

Draft management representation letter (continued)

Draft management representation letter (continued)

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

2. 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.
3. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - 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 Norfolk Pension Committee and Norfolk Audit Committee (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: XXX 2017 for the Norfolk Pension Committee and XXX 2017 for the Norfolk County Council Audit Committee.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related

Draft management representation letter (continued)

Draft management representation letter (continued)

balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, 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.

7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

E. 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.

4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises The Norfolk Pension Fund Annual Report and Accounts 2016/17.

Draft management representation letter (continued)

Draft management representation letter (continued)

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Derivative Financial Instruments

1. We confirm the Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.

2. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the Fund at the year end and the terms and conditions relating thereto.

3. 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. Actuarial valuation

1. The latest report of the actuary Hymans as at 31 March 2016 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

J. Ownership of Assets

1. The Fund has satisfactory title to all assets appearing in the Net Asset Statement, and there are no liens or encumbrances on the Fund's assets, nor has any asset been pledged as collateral. All assets to which the Fund has satisfactory title appear in the Net Asset Statement.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

Draft management representation letter (continued)

Draft management representation letter (continued)

K. Purchase and Sales Commitments

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.

2. At the year end, the Fund had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Fund (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of investments and the classification of assets under fair value levelling requirements 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.

M. Estimates – Valuation of Investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates 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 2016/17.

2. We confirm that the significant assumptions used in making the valuation of investments 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 financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Draft management representation letter (continued)

Draft management representation letter (continued)

N. Investment managers' control reports ISAE3402

1. The latest reports available do not cover the whole of the 2016.17 audit year. We confirm we are not aware of any issues with the respective fund managers that indicate a reduction in control procedures.

O. Advisory reports

1. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

P. Comparative information

1. There have been changes to the fair value hierarchy of the valuation of financial instruments during 2016/17 in line with classification guidance in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

2. The comparative amounts have been correctly restated to reflect the above matter and an appropriate disclosure note of this restatement has also been included in the financial statements.

Yours faithfully,

____

Simon George
Executive Director of Finance and Commercial Services and Fund Administrator

____

Ian Mackie

Chair of Audit Committee

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ED None

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Audit Committee

Item No……

Report title:	**Annual Statement of Accounts and Annual Governance Statement 2016-17**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**
Strategic impact This report introduces the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2016-17.	

Executive summary

This report introduces the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2016-17 which has been subject to external audit by Ernst & Young. The Executive Director of Finance and Commercial Services anticipates that the Council will receive an unqualified audit opinion.

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

The report summarises changes to the Accounts as a result of the implementation of revised financial reporting requirements, and summarises any material changes which have been made as a result of audit and officer review during the audit period. The final position for all departments as reported to Policy and Resources Committee on 3 July 2017 was a net underspend of £0.048m which was transferred to General Balances.

The Council has net liabilities of £30.398m at 31 March 2017. The net liability is due primarily to increased net pension liabilities included in "Other Long Term Liabilities" and does not affect the general fund underspend for 2016-17.

The attached report (Appendix 1) contains:

- A narrative summary of the financial statements and
- An introduction to the proposed Annual Governance Statement 2016-17, 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

Recommendations

The Audit Committee is requested to:

- note that, following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations;
- consider and approve the Annual Governance Statement (Appendix 2) and commend the final statement for signature by the Leader and the Managing Director;

- consider and approve the Council's 2016-17 Statement of Accounts (Appendix 4);
- note the Summary of the Statement of Accounts (Appendix 3) to be published alongside the full accounts.

1. Introduction

This report summarises the Statement of Accounts of Norfolk County Council for 2016-17.

2. Evidence

The following appendices are attached:

- Appendix 1: a narrative summary of the accounts
- Appendix 2: the Annual Governance Statement for 2016-17
- Appendix 3: a Summary of the Statement of Accounts for publication
- Appendix 4: the 2016-17 Statement of Accounts

3. Financial Implications

The final position for all departments as reported to Policy and Resources Committee on 3 July 2017 was a net underspend of £0.048m. 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.

4. Issues, risks and innovation

4.1 There are no specific issues, risks or innovations to report.

5. Background

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

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

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

Narrative Summary of Annual Statement of Accounts and Annual Governance Statement 2016-17

1. Introduction

1.1 As part of the formal process of closing the County Council's 2016-17 accounts, Members are required to consider and approve the Annual Governance Statement attached as Appendix 2, and to approve the Statement of Accounts ("the accounts"), attached as Appendix 4, by 30 September. This process of approval is included within the Committee's terms of reference.

1.2 It is also considered good practice to publish a short Summary of the Statement of Accounts (Appendix 3) alongside the full accounts.

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

1.4 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 2017 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 2016-17 and the provisions and reserves held at 31 March 2017 to Policy and Resources Committee on 3 July 2017.

2.4 The net underspend of £0.048m reported to Policy and Resources Committee on 3 July 2017 has been transferred to General Balances. Details of movements on this balance are shown in paragraph 5.8 below.

2.5 A public inspection period of 30 working days commencing 21 June was publicised on the Norfolk County Council web site in accordance with the relevant regulations. No enquiries from the public were received during that period.

2.6 The draft 2016-17 Statement of Accounts has been publicly available on the Council's web site since the start of 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 Any further audit amendments to these accounts between the date of this report being made public and the meeting will be notified to members of the Audit Committee at the meeting.

2.9 The Accounts and Audit Regulations require that the 2016-17 Statement of Accounts must be published by 30 September.

3. Annual Governance Statement

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

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

3.3 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. The Executive Director of Finance and Commercial Services reported to the Audit Committee on 15 June 2017 that in his opinion the effectiveness of risk management and internal control for 2016-17 is '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 Managing Director. Guidance for the preparation, review and reporting of the Annual Governance Statement has been issued by CIPFA /SoLACE and has been used in its preparation.

3.5 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 confirms that, during the 2016-17 financial year, and up to the date the accounts are published, overall Corporate Governance arrangements and internal controls in the Council were in place and effective in terms of business as well as financial risk. It also confirms that areas where controls need to be developed or improved are known about and are being actioned.

3.7 An Annual Governance Statement is attached as Appendix 2. No updates have been made to the draft published in June.

4. Changes to the Presentation of the Accounts

4.1 The Council continues to prepare the 2016-17 Statement of Accounts under International Financial Reporting Standards.

4.2 There have been no significant changes to accounting policies since 2015-16, apart from the removal of references to “SeRCOP” (CIPFA Service Reporting Code of Practice) categories in relation to the allocation of overheads.

4.3 In accordance with changes to the CIPFA Code, the Service Analysis in the Comprehensive Income and Expenditure Statement now reflects Norfolk County Council’s Directorates, rather than the standardised SeRCOP classification used in previous year’s accounts.

As a result, the note in previous accounts entitled “Amounts reported for resource allocation decisions” has been replaced by two new notes: Note 2 “Expenditure and Funding Analysis” and Note 3 “Expenditure and Income Analysed by Nature”. The Expenditure and Funding Analysis reconciles amounts charged to the general fund for each service, and the Income Analysed by Nature gives a subjective analysis of the Council’s gross income and expenditure.

While there is no longer specific reconciliation to the net cost of services and the reported underspend, the figures reconcile as follows:

		£m
Net transfers from earmarked reserves –	opening	103.108
(note 10)	closing	75.187
Movement in reserves		**27.921**
Underspend reported to P&R 3 July 2017		(0.048)
Rounding adjustment		(0.001)
Net Deficit (note 2, Expenditure and Funding Analysis)		**27.872**

4.4 As it is the second year in which fair value categories have been used, tables have been added in the PPE note 14 and the Investment Properties note 16 summarising the movements within fair value “levels”.

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 2016-17. There have been no significant changes to generally recognised accounting practices affecting the Council since 2016-17.

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. The note in previous accounts entitled "Amounts reported for resource allocation decisions" has effectively been replaced by two new notes: Note 2 "Expenditure and Funding Analysis" and Note 3 "Expenditure and Income Analysed by Nature.

In addition to the Norfolk County Council single entity accounts, the Statement of Accounts includes a summary of the Fire fighters' pension scheme, the Norfolk Pension Fund Accounts, and Norfolk County Council's Group 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 useable 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 31 March 2016	**19.252**
Net underspend 2016-17	0.048
Rounding adjustment	0.001
General Balances at 31 March 2017	**19.301**

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 2017. 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 14) is broadly in line with 2015-16. Reductions due to schools converting to academy status, have been more than offset by the cost of assets under construction, primarily the NDR. There have been no significant additions to or disposals of material Heritage Assets (note 15) during the year.

5.12 The value of investment properties (note 16), which are those held to generate an income, such as the Council's share of the Airport Industrial Estate, has decreased by £1.8m based on external annual valuations. This is partly due to change of use: for example the building now used as the Aviation Academy has effectively been removed from the valuation.

5.13 Long term investments are broadly unchanged since 2016-17. Short term investments have decreased by £21m due mainly to a decrease in short term loans and receivables held under the Council's Treasury Management strategy which is balanced by an increase in longer term deposits. The total of Cash and Cash Equivalents (note 19), is again broadly unchanged.

5.14 The levels of short term debtors (note 18) remain broadly in line with 2015-16. Long term debtors have increased by £45m consistent with a new capital loan of £6.25m made to the Norse Group during the year in respect of the Aviation Academy, and a commitment from the Greater Norwich Growth Board members to fund the re-payment of the £40m PWLB debt taken to part fund the NDR.

5.15 Amounts classed as Asset Held for Sale (note 20) are broadly unchanged since 2015-16. Property valued at £2.5m was sold during the year and were replaced with properties with a similar value, leaving a balance of £1.2m awaiting sale at 31 March 2017.

5.16 Total long-term liabilities shown on the face of the balance sheet increased from £1.5bn to £1.8bn due mainly to a decrease in the Council's pension liabilities. The Council's net Pension Liability for accounting purposes is one of the largest individual figures in the accounts, and also the most volatile.

The reported Council's net pension liabilities (Local Government Pension Scheme and Fire-Fighters Pension Scheme) increased by over £0.3bn from £871m to £1,192m (note 39, total obligations less scheme assets). While this is a significant figure, the increase follows a decrease of £216m in 2015-16, and an increase of £220m in 2014-15 demonstrating the volatility surrounding the valuation of pension liabilities.

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 reduced, and therefore the balance sheet position for the typical employer is likely to be worse at 31 March 2017 compared to the previous year.

Period ended	31 March 2017 % p.a.	31 March 2016 % p.a.
Pension increase rate	2.4%	2.2%
Salary increase rate	2.7%	3.2%
Discount rate	2.6%	3.5%

As a result of the above, the Council's reported Net Assets are negative at -£30.4m. However, this overall reported liability has no direct impact on the Council's general fund. 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.

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 <u>Notes to the Core Financial Statements</u>
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 9) 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 When the adjustments in note 7 have been applied to the Movement in Reserves Statement, the General Fund Balance of £19.301m is equal to the General Balances figure reported to 3 July 2017 Policy and Resources Committee.

Fire Fighters’ Pension Fund

5.22 This statement summarises the pension arrangements for the fire fighters’ pension scheme.

Group Accounts

5.23 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.

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

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

Pension Fund Accounts

5.26 The detailed Pension Fund Accounts which are incorporated into this Statement of Accounts will be considered by the Pensions Committee on 19 September 2017. It is anticipated that the Pension Committee will agree to recommend to the Audit Committee that the 2016-17 Annual Report and Accounts of the Norfolk Pension Fund accounts be approved, and also endorse the associated letter of representation.

6. Accounting adjustments, corrections and changes since the June draft

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

6.2 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 June draft accounts.

Material adjustments since the June draft accounts

6.3 There has been one material adjustment to the accounts since the draft accounts: following an audit query it was noted that the gross income and expenditure figures for CES in the CIES had not been properly adjusted for recharges totalling £38.4m. As this adjustment affected both gross income and expenditure equally, there was no net impact on net expenditure on total Comprehensive Income and Expenditure. A similar adjustment was made in respect of the 2015-16 comparative figures, which have been re-stated. Neither the Balance Sheet nor the MIRS have been affected by this adjustment.

Non material adjustments and error corrections

6.4 During further analysis following production of the draft accounts, officers noted that capital grants totalling £3.7m had been classified as unconditional when in fact they were conditional grants, and a £1.8m revaluation loss on investment properties (partly reversing a revaluation gain in the previous year of £4.8m) had been charged to service expenditure rather than Financing and Investment Income and Expenditure in the CIES. The accounts have been adjusted accordingly.

6.5 Due to the pressures associated with faster closing, an estimate for accruals associated with the NDR construction was found by the auditors to have been understated by £1.01m. The accounts have been amended resulting in a number of changes, primarily compensating adjustments to both Property, Plant & Equipment and Short Term Creditors in the balance sheet. The balance sheet net assets total was not affected.

Unadjusted non-material item

6.6 There have been no unadjusted material or non-material items.

Overall impact of adjustments since the June draft

6.7 There has been no impact on the net liabilities of the Council reported in the draft dated 21 June 2017, nor to the Council’s earmarked reserves or general balances.

6.8 Any material changes to the Pension Fund accounts since the draft accounts were approved for Audit by the Executive Director of Finance and Commercial Services in June are reported to the Pension Committee.

7. Developments in local authority accounting

7.1 **Faster closing**

The Accounts and Audit Regulations 2015 will significantly affect the speed at which local authority financial statements are produced, published and audited. Next year's 2017-18 draft accounts will be published by 31 May (currently 30 June) with the audit and final accounts deadline of 31 July (currently 30 September).

Year-end close-down processes were brought forward in 2016-17. Although the accounts were not published until mid-June, after the local elections, the process demonstrated that a full set of draft group accounts will be prepared by 31 May 2018. As a result of the changes, Audit Committee meetings during 2018 include a July meeting to approve the accounts.

7.2 **IFRS 16 leases**

IFRS 16 is a financial reporting standard which specifies how an entity will recognise, measure, present and disclose leases in its accounts. The standard will introduce major changes to the way operating leases are accounted for, including lease arrangements "embedded" in service contracts. Council officers have started evaluating the impact of these changes, and the information gathering which will be necessary to implement the new standard from April 2019.

7.3 **IFRS 9 financial instruments**

IFRS 9 is a new standard which covers the classification and measurement of financial assets and liabilities, replacing IAS 39. One relevant change, after 1 April 2018, is that gains or losses on "available-for-sale" assets will need to be reflected as surpluses or deficits in the general fund. At present, the Council's only "available-for-sale" assets are the Council's investments in Norwich Airport and associated companies (£1.2m). This change would also affect investments such as pooled property funds and certificates of deposit, but these do not currently form part of the Council's investment strategy.

7.4 **External Audit Appointment**

On 15 August 2017 the PSAA wrote to the Council to consult on the appointment of Ernst & Young LLP as external auditors of Norfolk County Council's accounts for five years from 2018-19. The Executive Director of Finance and Commercial Services has responded positively.

7.5 **Highways Network Asset - abandoned**

Reports to previous Audit Committees have flagged up a major proposed change to the way that the Councils would have to account for their "Highways Network Asset" which would have resulted in a material increase in the value of net assets in the Council's balance sheet. However, at its meeting on 8 March 2017, the CIPFA/LASAAC Local Authority Accounting Code Board decided NOT to proceed with the introduction of the Highways Network Asset Code.

Appendix 2 - Annual Governance Statement 2016-17

DRAFT Annual Governance Statement for Norfolk County Council 2016-17

1. Introduction

1.1. The Accounts and Audit (England) Regulations 2015 require that:

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

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

1.2. The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reported to the Audit Committee on 15 June 2017 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2016-17, was acceptable and therefore considered sound. The Committee agreed with this opinion.

This statement will be submitted to the Audit Committee for approval with the Statement of Accounts at the 21 September 2017 meeting of the Committee.

1.3. The CIPFA Framework – Delivering good governance in local government, 2016 edition, has identified 'key principles of good governance'. These are as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices, in transparency, reporting, and audit, to deliver effective accountability.

This Annual Governance Statement has been produced using the same format as last year, but reference has been made to these new principles throughout the document.

1.4. As part of producing this statement, Executive Directors were asked to complete and sign an Annual Positive Assurance Statement and complete a supporting departmental assurance table.

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 CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Code is currently under review. 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. The updated Code is planned to be approved during 2017-18.

2.3. Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17, 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 the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements. For further details, please consult the Pension Fund Governance Statement.

2.6. The Council hosts or is represented in 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
- Great Yarmouth and Waveney Joint Health Scrutiny Committee.
- Road Casualty Reduction Partnership Board

2.7. The Council has seven subsidiary companies, detailed below:

- The largest subsidiary company which is wholly owned 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. These companies are referred to throughout this statement as NORSE. The governance arrangements for NORSE are included in the body of this report. Where there are unique arrangements these appear at the end of each section and where the arrangements are specific to NORSE, they appear in a separate section. 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, see link for further information at http://hethelinnovation.com/.
- The Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, is controlled through a 100% holding in Norfolk Regeneration Company Ltd, which itself owns 50% of The Great Yarmouth Development Company. It is currently dormant.
- 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. 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. For more information please refer to website http://norfolksafety.org/

- Norfolk Energy Futures Ltd is wholly owned by the Council, see link for further information at http://www.norfolkenergyfutures.co.uk/.

- Educator Solutions Ltd, incorporated on 15 April 2016, is a wholly owned by the Council. It has not started trading.

All above subsidiary companies have Council Member and/or Officer representation on their boards of directors. All companies, except for Hethel Innovation Ltd and Educator Solutions Ltd, have completed and signed an Annual Positive Assurance Statement and completed a supporting assurance table. An audit has been undertaken of Hethel Innovation Limited and Educator Solutions Ltd is currently a dormant company.

2.8. The Council is a partner in seven pooled funds, detailed below. There will be a requirement for an additional pooled fund in the future:

- The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. Parties to the fund only contribute a nominal sum to it and the Council now receives funding directly from Central Government as part of the formula funding
- Norfolk Pharmaceutical and Medicines Management Pooled Fund. The Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to provide a pharmaceutical and medicines management service in Norfolk. The Council provides financial management for the Pooled Fund
- There are five Better Care Fund pooled arrangements in place, one with each of the five CCGs in Norfolk. 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. Each of the pooled funds is secured through an agreement under section 75 of the National Health Service Act 2006. A partnership board is established with each CCG for 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 holds the pooled funds and provides administrative support, for which the Council is reimbursed.

3. The purpose of the governance framework

3.1. The 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 subsidiary 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

The key elements of the systems and processes that comprise the Council's and NORSE's governance arrangements are described below. Specific governance arrangements relating to the other subsidiary companies have been considered separately under 4.23 to 4.26. Section 4.27 considers the governance arrangement for a major European programme, which the Council has been appointed to manage on behalf of the European Commission. In drawing up this statement a wide range of officers have been consulted – See note 1 to this Governance Statement.

	Control	Description
4.1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users. (This fulfils principles B and C included in the new code as per 1.3)	The County Council Plan2016-19 was adopted by the Council in February 2017. The main features are: 1. Priorities: • Excellence in education – working for a well educated Norfolk where people are prepared for real jobs with good wages and prospects • Real jobs – making Norfolk a place where businesses are able able to grow or want to relocate to, because we are so well connected • Improved infrastructure, and • Supporting vulnerable people – including helping people earlier before their problems get too serious. 2. One public service • Redesigning services around people's lives • Achieving better outcomes

	Control	Description
		• Working with public sector partners and local communities The Authority's vision and purpose feature prominently in external corporate communications. The ambitions and priorities are set out on the corporate web pages, they are incorporated into all publicly facing strategies and they frame both external and internal communications. Individual NORSE companies have separate mission, vision and value statements.
4.2	Reviewing the Council's vision and its implications for the authority's governance arrangements (This fulfils principle D included in the new code as per 1.3)	Last year focus through the Medium Term Strategy strengthened engagement with and understanding of the Council's vision and priorities. A series of Member and staff workshops raised the profile of the significance of the Council's priorities, and helped shape tangible outcomes and measures of success. The priorities have been highlighted and debated at all Committees, and subsequently communicated widely with stakeholders and residents as part of the Council's consultation on its three-year medium term strategy. The Audit Committee considers the governance arrangements (as set out in this statement) are sufficient to fully support the Council's vision. The mission, vision and value statements of the individual NORSE companies are reviewed regularly and included in the annual business plan approved by the Board. The Council's governance arrangements in respect of Norse have been strengthened during the year. Details of the improvements are included in 5.7.
4.3	Translating the vision into objectives for the authority and its partnerships (This fulfils principle D included in the new code as per 1.3)	The Council's vision and priorities are translated into objectives through the strategic and service planning process. Elements which make up committee service plans have been considered as part of the budget process. The County Council Plan sets out: • The strategic context for the Council • The direction of travel, to guide strategic and resource choices • The rationale for the Council's priorities • The approaches the Council will adopt to secure an impact on the most important outcomes for residents, at a time of diminishing resources.

	Control	Description
		• How services will be provided in new ways, in partnership with other public services • Improvements to the Council's internal organisation To improve accountability and delivery, the Plan includes a County Plan Tracker. This sets out a set of whole-council improvements which are considered critical to the overall strategic direction of the Council for three years (2016-17, 2017-18 and 2018-19). For each, there are measures, current baselines and targets for the lifetime of the Plan. Whilst the County Council Plan sets out the overall strategic direction and priorities for the Council, it is not intended to capture everything the Council does. During the year under review, the Council has strengthened its role in systems leadership, recognising that many of the key challenges to improving outcomes for Norfolk residents can only be achieved through collaboration and shared objectives with partners. Council's elected Members and Chief Officers are represented on key partnership boards. This ensures that the partnerships the County is engaged in contribute to the delivery of the Council's vision for Norfolk. Key partnerships are: - The Norfolk Health and Wellbeing Board. The Board brings together a wide range of partners to provide strategic systems leadership on work to improve health and wellbeing in Norfolk. For 2016-17, the Council was represented as follows: a dedicated County Council Member representative, Chairpersons of the Children's Services and Adult Social Care Committee, Managing Director, Director of Public Health, Executive Director of Children's Services, and the Executive Director of Adult Social Services - Safeguarding Boards for Adults and Children have representation from the relevant Service Committee Chair person and the relevant Council Executive Director - The 'New Anglia' Local Enterprise Partnership provides the strategic lead for developing a clear vision and set of economic priorities across Norfolk and Suffolk and the Council is represented by the Leader of the Council, who sits on the Board - The Norfolk Countywide Community Safety Partnership provides strategic leadership of the community safety agenda in Norfolk and the Council is represented by the Executive Director of Adult Social Services, Director of Public Health, Assistant Director (Early Help & Prevention) Children's Services, Brigade

	Control	Description
		Manager Norfolk Fire and Rescue Service, Youth Justice Service Manager and the Community Safety Manager. - The Norfolk Children and Young Peoples' Strategic Partnership Board leads on the children's agenda, Assistant Director of Education, Head of Joint Commissioning, Assistant Director of Early Help and Prevention, Director of Public Health, Assistant Director (Performance and Challenge), Assistant Director Social Work and Executive Director of Children's Services. - Sustainability and Transformation Plan (STP) brings together the NHS, Norfolk County Council and partners in health and social care from Norfolk and Waveney to develop a programme to transform health and social care over the next 5 years. It is led by NCC's Managing Director with representation from the Executive Director of Adult Social Services on the STP Executive. The Norfolk Fire and Rescue Integrated Risk Management Plan provides details of how service priorities are established over the medium term.
4.4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money (This fulfils principle C included in	The Council's performance management system is key to ensuring that scarce resources are used to best effect, and that the Council delivers demonstrable results to the people of Norfolk. A set of 'vital signs' for each service have been produced which provide transparency and assurance on the health of key services. The vital signs are based on the following criteria: • Insightful and timely – measuring the things that tell us most about how the Council is doing, and that can anticipate significant problems or improvements • Clearly aligned to priorities – so it is obvious how the Council can impact upon performance, and how that performance impacts on Norfolk citizens • They say something important about performance – measuring something that matters to people, or that is important to the effective management or running of services • Technically correct and based on good quality data – so that results can be trusted, and actions can be taken with confidence • Can be owned – so it is clear who can impact on performance, and who has responsibility to report upon, explain and manage performance. New methods and disciplines have been introduced to use data and routines more effectively. This includes the expectation that monthly performance discussions will be undertaken, with active lines of inquiry to ensure management action is taken to address and anticipate

	Control	Description
	the new code as per 1.3)	performance that is off trajectory. Drawing on widely-recognised good practice, the newly established team has introduced the concept of in-depth review of critical indicators and processes. They have supported the Managing Director and relevant committee chairs to lead stock takes of progress on particular functions or services where there have been long-standing performance issues. Regular performance reporting to committees helps focus attention on poorly performing areas and highlight areas of good performance. Dashboards are used providing a summary of key performance indicators (KPIs) which focus on key areas agreed by members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT). These also form the basis for reporting to the public and our partners. KPIs have been strengthened by incorporating the key areas identified during the vital sign exercise. The Boards for the NORSE companies include senior member and officer representation appointed by the Council.
4.5	Defining and documenting the roles and responsibilities of the Council Committees and Officers, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements (This fulfils principle G included in the new code as per 1.3)	The County Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It includes clear communication protocols and defines roles and responsibilities. The law requires us to have some of these processes, whilst others are a matter for the Council to choose. A link to the Constitution can be found on our website and includes all of these areas, including a scheme of delegation. Four Service Committees (Adult Social Care, Environment, Development and Transport (with an Economic Development Sub Committee), Children's Services and Communities Committees. The Policy and Resources Committee is responsible for co-ordinating processes for the development of the Budget and the Council's Business Plan. It also has responsibility for some corporate and regulatory functions and for the exercise of the Council's functions in respect of health. On 15 May 2017 Members agreed at Full Council for a Business and Property Committee to be created. Role descriptions for members and the roles they undertake are clearly set out in the Constitution. There is specific advice within the Constitution provided by the Chief Legal Officer, on the Position of County Council Appointees on Outside Bodies, which summarises the legal position of members and officers appointed to serve on outside bodies. NORSE has its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over

	Control	Description
		NORSE and the actions which require prior approval of the Council. As a result of a review of the Norse governance arrangements additional clarity has been made in respect of who, within the Council, is responsible for the stewardship of Norse governance arrangements.
4.6	Developing, communicatin g and embedding codes of conduct, defining the standards of behaviour for members and staff. (This fulfils principle A included in the new code as per 1.3)	The County Council's Constitution includes a Members Code of Conduct. All members undertake to observe the Code and the Constitution. The standards committee keeps the Code under review. All members received induction training following the May 2017 election. The Human Resources Shared Service produces a Standards of Conduct and Behaviour Policy for employees. It is published on PeopleNet which is available to all staff. It is provided to all employees on appointment and forms part of their conditions of employment. The Constitution Advisory Group advises on necessary changes to the Constitution – in the last year it has reviewed and made recommendations on: • The establishment of Business and Property Committee • NORSE Shareholder Committee • Terms of Reference of the Personnel Committee • Appointments and Disciplinary Action Relating to Senior Officers • Committee responsibility for drug and alcohol commissioning • Executive Director of Community and Environmental Services delegations with regard to responding to District Council planning applications • Terms of reference of the Policy and Resources Committee with regards to NORSE In addition it instructed the Managing Director to undertake a review of the Council's decision making structures. That review was considered by the Group on 16th March 2017 where it made a number of recommendations to the Policy and Resources Committee. For NORSE these areas are the responsibility of the Board and include written standards of conduct and behaviour. These are communicated to all staff at induction.

	Control	Description
4.7	Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality (This fulfils principle D included in the new code as per 1.3)	All elements of the Constitution were reviewed in May 2015, including the scheme of delegation and appropriate amendments were made to the Constitution. The Constitution sets out the decision making framework. Financial Regulations, a Member Protocol on Contracts and Purchasing, a Working Groups Protocol and a Protocol for conducting Committee business also form part of the Constitution. Using information to allow the Council to make well informed operational and strategic decisions is based on the underlying integrity and quality of the information held within the Council's business systems. Data Quality processes and procedures exist within the Council's main computer systems and are reviewed regularly. The Council has continued to embed the importance of accurate and timely information being held. The Information Management Strategy was agreed by the County Leadership Team on 11 March 2016. One of the requirements within the strategy is information to be fit for purpose. The ICO audited the Council's new policies and procedures during the year and reported their findings. Since data quality and information security were recognised as having significant governance issues in the last Annual Governance Statement, audits are in progress to provide assurance. The Executive Director of Finance and Commercial Services is the Council's Senior Information Risk Owner (SIRO) and has received training during the year.
4.8	Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability (This fulfils principle F included in the new code as per 1.3)	The Council has a risk management framework and policy which is reviewed every two years by the Audit Committee and significant changes are reported to and approved by full Council. County Leadership Team regularly review the corporate risk register and Executive Directors report regularly to their relevant committees on their departmental risk registers. The Council is a member of the CIPFA benchmarking club. The club conducts an annual benchmarking exercise to test member organisations' performance against the major risk management standards, expectations of inspection bodies and criteria that inform the risk management element of this Annual Governance Statement. The latest CIPFA benchmarking club exercise was undertaken by the Council in November 2016, with results published in December 2016. All the governance issues identified through the preparation of this document have already been identified through the risk management process. An example of a corporate risk being dealt with is County Farms. Since the significant governance issues in respect of County Farms were

	Control	Description
		identified last year, a risk was added to the risk register and progress with action plans are being monitored. NORSE – The Board reviews the risk register on a six monthly basis. A Risk Advisory Group, comprising senior staff and external experts has been established to provide advice to the Board.
4.9	Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained, in line with the CIPFA Code of practice on managing the risk of fraud and corruption (This fulfils principle F included in the new code as per 1.3)	The Council has an Anti-fraud and Corruption Strategy, which is reviewed annually by the Audit Committee and was last reviewed at the January 2016 meeting (Item 10). The Audit Committee champions Anti-fraud and Corruption and receives reports on the effectiveness of the counter-fraud and anti-corruption framework and activities in the period and plans for future activities. These have been informed by recommendations and advice from Fighting Fraud Locally publications, from the European Institute for Combating Corruption and Fraud (TEICCAF), Protecting the Public Purse and our External Auditors. Having considered all the principles, the Chief Internal Auditor is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. This is achieved by meeting the CIPFA Code of practice principles on managing the risk of fraud and corruption which states that the leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the code are to: 1. Acknowledge the responsibility of the governing body for countering fraud and corruption 2. Identify the fraud and corruption risks 3. Develop an appropriate counter fraud and corruption strategy 4. Provide resources to implement the strategy 5. Take action in response to fraud and corruption. Please see website for more details: CIPFA Code of Practice for counter fraud. For NORSE, a group anti-fraud policy has been developed and communicated.
4.10	Ensuring effective	The County Council has established industry standard portfolio, programme and project management techniques which have been in

	Control	Description
	management of change and transformation (This fulfils principle E included in the new code as per 1.3)	place since 2010. This includes tools and templates which are available online to all staff who are planning or delivering change activities. Risks and issues related to projects and programmes have an escalation route up to Directorate and corporate risk registers which ensures that risks are managed consistently and using the County Council risk management governance and reported to members. Regular monitoring reports on projects and programmes delivering savings are collated by Finance and reported to the relevant Service Committees and consolidated for the Policy and Resources Committee as part of the Council's performance management framework. A review to strengthen central services under a new Strategy Director has put forward new arrangements for effective governance of change and transformation. This has introduced a programme governance function, reporting into the Strategy Director. The new arrangements reflect that sound programme delivery is embedded in departments. The corporate programme function will provide strategic oversight of critical change programmes, linking closely with the Strategy and Delivery team to assure and strengthen impact of change for the council. For NORSE, targets for specific projects are agreed and progress is reported to the Board.
4.11	Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and , where they do not, explain why	The Council meets the requirements through the role of the Executive Director of Finance and Commercial Services. He: • Is a key member of the County Leadership Team (CLT), helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives. • Is actively involved in and can influence all material business decisions taking into account both short and long term implications, opportunities and risks and the Council's financial strategy by membership of CLT, other groups and attendance at relevant Council meetings. • Leads the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively for example by advising on the Council's financial strategy and planning, risk management, budgetary control throughout the Council. • Leads and directs the suitably resourced finance function.

	Control	Description
	and how they deliver the same impact (This fulfils principle F included in the new code as per 1.3)	• Is a professionally qualified accountant and has wide experience of local authority finance. For NORSE, the Group has a qualified Chief Financial Officer and the results are consolidated into the Annual Statements of Accounts of the Council.
4.12	Ensuring the authorities assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact (This fulfils principle G included in the new code as per 1.3)	The Chief Internal Auditor conducts a self-assessment to the CIPFA Statement on the Role of the Head of Internal Audit (2010). The governance arrangements, the role and the personal attributes of the Chief Internal Auditor are compliant with all five principles as laid out in the Statement. The Chief Internal Auditor attends the County Leadership Team when needed. The Internal Audit Plan, as agreed with the Audit Committee, fully supports the Chief Internal Auditor in delivering his duties in compliance with the statement, both in terms of the coverage provided through audit work and through time being allocated to ad hoc advice and support to Executive Directors as necessary and appropriate. The internal audit team complies with the requirements of the relevant professional standards, ie the United Kingdom Public Sector Internal Audit Standards. These were revised during the year and are now known as the International Standards for the Professional Practice of Internal Auditing, effective from January 2017. NORSE employs their own internal auditor who reports to the Board. During the year the internal auditor left. A three year Audit Strategy has been developed, and an annual audit plan is agreed within that strategy. The strategy is informed by the Group Risk Register and key risk areas identified by external auditors. NORSE have tendered for an Internal Audit Service in April 2017 to start in July 2017.
4.13	Ensuring effective arrangements are in place for the discharge of the monitoring officer function	The responsibilities of Monitoring Officer are included within the post of Chief Legal Officer, and are described in the Monitoring Officer Protocol in the Constitution.

	Control	Description
	(This fulfils principle E included in the new code as per 1.3)	
4.14	Ensuring effective arrangements are in place for the discharge of the head of the paid service function (This fulfils principle E included in the new code as per 1.3)	The responsibilities of Head of Paid Service are included within the post of Managing Director, as described in the Constitution.
4.15	Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. (This fulfils principle F included in the new code as per 1.3)	The main purposes of the Council's Audit Committee are to: • Provide proactive and effective leadership on audit and governance issues, • Champion audit throughout the Council, • Champion risk management throughout the Council, • Consider the effectiveness of the anti-fraud and corruption arrangements • Review the effectiveness of the system of internal control. The Committee's minutes and agendas from its quarterly meetings are available on the Council's website. The website also includes general information about the Audit Committee, the councillors who sit on the Committee and its structure. The Committee reviews its Terms of Reference annually and changes are approved by the Council. The NORSE Group Board performs the functions and duties of the Audit Committee for NORSE. An Audit Advisory Group has been established, to advise the Board and provide additional scrutiny.

	Control	Description
4.16	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. (This fulfils principle A included in the new code as per 1.3)	The Chief Legal Officer is the Council's Statutory Monitoring Officer. She seeks to ensure compliance with relevant laws and regulations. A protocol covering the role and functions of the Monitoring Officer is contained within the Constitution. The Monitoring Officer is a practising solicitor qualified for over 25 years. An Annual Report from the Monitoring Officer is reported every year to the June Audit Committee. With regards to the Norfolk Pension Fund, the Oversight Board assists the Pensions Committee and officers with ensuring compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the scheme. For NORSE the Company Secretary performs this role.
4.17	Whistle-blowing and for receiving and investigating complaints from the public (This fulfils principle F included in the new code as per 1.3)	Whenever a member of the public contacts the Council to either complain or praise the Council, the contact is dealt with in accordance with our Complaints and Compliments Policy and Procedures. The County Council also has a well publicised Whistle-blowing Policy, available on its A-Z webpage and advertised throughout the Council. The policy was reviewed during 2015-16 and an updated version will be published during 2017. NORSE has its own published Whistle-blowing policy and welcomes customer feedback, as described in its quality systems page of its website http://www.ncsgrp.co.uk/quality_systems.htm.
4.18	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	On their election, Members are offered a Personal Development Plan (PDP). Members will have the opportunity to discuss their development needs with an HR professional and from this a personalised plan of training is developed and provided. Where appropriate there is a mid-term review to assess progress and identify any additional needs. A programme of development for all Councillors is also provided which all Members are encouraged to attend and which covers a wide range of both service specific and Council wide issues. Effectiveness is measured through feedback. Detailed information about the training delivered and who attended is maintained. The process for identifying development needs of senior officers in strategic roles is through our performance framework. There are two formal reviews in the year and regular 1-1s where development needs

	Control	Description
	(This fulfils principle E included in the new code as per 1.3)	are discussed. Targeted training is put in place as required. Work is being implemented to reinforce senior manager accountabilities. The recent leadership assessment process gave rise to a report on each senior manager to form the basis of discussion with their line manager about their development needs in relation to their skills and attributes. Individual development plans will be created for each Senior Manager as a result of these discussions. Corporately, the priorities for senior managers are the development of coaching skills to increase performance and the development of commercial skills and delivery of these priorities is currently being planned. Within NORSE the Company Secretary is responsible for providing Directors with advice about their roles and responsibilities.
4.19	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation (This fulfils principle B included in the new code as per 1.3)	There are a range of channels of communications. A residents' magazine called Your Norfolk was distributed three times to all households during 2016-17, supplemented by Your Norfolk extra – an electronic version published six times a year on our website and directly to those who subscribe online. Norfolk County Council's website continues to provide clear communications on the council's objectives, budget and services. In March 2016 a new website platform and Customer Relationship Manager (CRM) system was introduced. The CRM gives a clear view of customers across multiple channels. There has been a deliberate shift towards digital media as a direct tool for communicating with Norfolk people. A series of infographics containing key facts about the Council have been used on social media to highlight how the council is making a positive difference to the lives of everyone in the county; in short, why the council matters. On 14 November, a twitter day was held, in support of the launch of our In Good Company campaign. This was supported by over 20 campaign partners such as Age UK. On 20 October, Adult Social Services had a live twitter awareness day to provide an accurate picture of real social care in Norfolk, and on 21 March both Adult's Social Services and Childrens' Services participated in a twitter day to raise awareness of the work and everyday lives of social workers and carers. The Council consulted with residents on proposals for Devolution in Norfolk and Suffolk during the period 8 July 2016 to 23 August 2016 through a variety of channels including telephone, online and paper surveys. An information leaflet about devolution was delivered to households across Norfolk between 18 and 29 July. The consultation document was made available in a variety of formats, such as paper copy, Large Print and Easy Read on request to make it accessible as widely as possible.

	Control	Description
		The budget consultation was directly targeted to those likely to be affected by specific proposals, using a range of methods and formats to suit these audiences. Where particular groups of service users were likely to be affected by a proposal, the Council contacted them directly Every response was read in detail and analysed to identify the range of people's opinions, any repeated or consistently expressed views, and the anticipated impact of proposals on people's lives. Members of Norfolk Youth Parliament (MYPs) were elected by their peers in April 2016. A record 39,938 young people 11 – 18 years of age took part and voted, which is a turnout of 51%. The nine MYPs represent their peers in each of the constituency areas in Norfolk. In October 2016, Norfolk's MYPs asked young people which issues were most important to them. Over 17,000 young people took part and overwhelmingly told us that they wanted to see an improvement in mental health education and skills for life outside of the classroom. In June 2017 MYPs will be awarding the Norfolk Youth fund to charities and community groups that can address these concerns. Individual services maintain open channels of communications with relevant user groups and representative bodies. Briefings and information is provided to Members for use with parish councils. The relationship with Members of Parliament has been re-invigorated, including face to face meetings and briefings on specific issues. All consultations are well publicised, accessible and the outcomes are reported. NORSE provides information via their websites, staff newsletters and local media. Feedback from customers is regularly obtained by large scale customer surveys. http://www.ncsgrp.co.uk/quality_systems.htm
4.20	Enhancing the accountability for service delivery and effectiveness of other public service providers (This fulfils principle D included in	Improving outcomes for residents requires collaboration and joint endeavour across the public services. The Council is a leading force in the creation of a more collaborative and joined up approach to delivering public services with other providers. The Council's work with public services partners has focused on a series of key themes to do this: • Helping more people to live independently – focusing on older people, people with disabilities, adults with learning difficulties and people with mental health issues. The emphasis is on

	Control	Description
	the new code as per 1.3)	better access to early help and prevention, re-directing people to community solutions, delaying the need for formal services. • Keeping children with their families, and out of care, preventing the cycle which leads children into the criminal justice system. The emphasis is on early help, sharing better intelligence, and planning with families whom agencies already know. • Maximising resources to drive economic growth • One public estate - maximising our estates and buildings, supporting service re-design and looking for opportunities to co-locate services and reduce the space and number of buildings occupied by public sector partners in each locality. • Joining up street scene to remove duplication, making it better for the public, and reducing costs overall. • Joining up information and intelligence so we share data about needs, risks and harm that will enable us to target our efforts to best effect. The Council continues to play an active leadership role in enhancing health and social care. The Council's strategy for transforming adult social care, Promoting Independence, underpins our approach to supporting vulnerable adults. The Sustainability and Transformation Plan is a programme across the Health and Social Care economy in Norfolk to bring about transformational change in the delivery of services, to achieve a resilient and sustainable future for health and social care. The Council's Managing Director is leading this. A high level plan has been approved and delivery plans are in place which focus on delivering new models of care, reflecting the NHS five Year Forward View and on closing the three gaps; care quality, health equality and finance. A set of Norfolk Principles of Care have been developed from the perspective of the citizen to drive the resilience work. The accountability for the effectiveness of the commissioned services through Adult Social Care is ultimately with the Executive Director of Adult Social Services through the Director of Integrated Commissioning.
4.21	Incorporating good governance arrangements in respect of partnerships	NCC works with a range of public, private and third sector partners, as well as with neighbourhoods, local communities and citizens, to achieve our objectives for Norfolk. An integrated Commissioning Team has been set up to support collaborative working across the Council and with a wide range of

	Control	Description
	and other group working and reflecting these in the Council's overall governance arrangements (This fulfils principle D included in the new code as per 1.3)	partners and is underpinned by a Section 75 agreement. The Council and CCGs have pooled funds under the Better Care Fund, which is led by the Health and Wellbeing Board. Executive Directors have reviewed and revised governance arrangements in respect of partnerships and other working. Partnership arrangements are governed by clear partnership boards with appropriate Senior Officer and Member representation working to clear terms of reference.
4.22.	The specific arrangements with respect to NORSE are set out opposite	NORSE Group company secretary confirmed the following arrangements are in place: • The NORSE Board is responsible for management of internal control throughout NORSE. The Council's Executive Director, Community and Environmental Services, is Chair of the Norse Board. • The Company Secretaries advise the Boards of their responsibilities and ensure that the relevant statutory returns are completed. Annual General Meetings have been held during the year for NORSE and all the principal subsidiaries. • The Board is responsible for considering the required internal audit coverage for the Group, with advice from its Audit Advisory Group (AAG). NORSE previously employed its own internal auditor, and is currently tendering for an external supplier of these services. The Board, with advice from the AAG will review and agree a rolling 3 year audit plan. Norfolk Audit Services audit the "client side" of the Company's activity as part of the Council's own internal audit plan • The final results report for 2015-16 were presented to the Policy and Resources Committee on 26 September 2016 and the annual report was sent to all Members. A NORSE governance review was reported to Policy and Resources Committee on 21 March 2017. • A Shareholder Committee meets regularly and is comprised of 6 Members, including a Shareholder Representative, appointed by the Policy & Resources Committee and attended by the Executive Director of Finance and Commercial Services, the Chair of the Norse Board (the Council's Executive Director, Community and Environmental Services), the Chief Legal

	Control	Description
		Officer (as Monitoring Officer) and the Norse Group executive directors at its regular meetings. • Performance measuring systems, both financial and non-financial, are in place for all the Company Boards. • A full business risk register is reviewed regularly by the Board. More detailed specific registers are maintained by the principal subsidiaries, and reviewed twice yearly by senior managers. • Annual budgets are approved by the Board and progress against these budgets is reported monthly to senior managers of the organisation and quarterly to the Board, the Shareholder Committee and the Council's Executive Director of Finance. • Quality assurance and management systems are in place designed to meet BS EN ISO 9001:2000 which is subject to independent review by external assessors twice every year. • NORSE has a Policy statement on Health & Safety which has been communicated to employees. The Board receives a quarterly report on Health and Safety which includes details of Reportable Accidents and trends in Health and Safety statistics. All subsidiary Boards also consider specific Health and Safety Plans at least annually. • Environmental management is championed at Board level and both Norse Commercial Services and NPS have ISO 14001 accreditation. • Annual appraisals are undertaken for all managerial, technical and administrative staff.
4.23.	Hethel Innovation Ltd	• The Board is responsible for management of internal control throughout Hethel Innovation Ltd (HIL). A representative from the Council sits on the Board, which is chaired by Mr David Tate the Chairman of the Hethel Engineering Company. During 2016-17 this was the Assistant Director Economic Development and Strategy. • Regular management meetings (including Council representation) and quarterly Board meetings are used as a mechanism to monitor the revenue and capital expenditure. • The Department for Communities and Local Government (DCLG) provided grant certification services to Hethel Innovation Ltd on a regular basis. In connection with the European Regional Development Fund (ERDF) grant received. Hethel Innovation Ltd's accounts do not require external audit and the Board have agreed that one is not necessary

	Control	Description
		• Performance measuring systems, both financial and non-financial, are in place with management meetings and the Board providing the platforms for discussion. • Risk management arrangements are reviewed and discussed at Board and management meetings. • Annual budgets are approved by the Board and progress against these budgets is reported monthly at Senior Management meetings, quarterly to the Board. • HIL has a Policy statement on Health & Safety which has been communicated to employees. • Regular staff performance reviews take place.
4.24.	Great Yarmouth Development Company Ltd	• The Board is responsible for management of internal control throughout Great Yarmouth Development Company Ltd. The Assistant Director Economic Development and the Chair of the Economic Development Sub-Committee represents the Council on the Board of the company, which is chaired by a nominee of Great Yarmouth Borough Council. • The company has been dormant throughout the year and no meetings have been held.
4.25.	Independence Matters Community Interest Company	• Governance of Independence Matters is achieved through direct member and officer involvement in the key corporate structures. Independence Matters is managed by two Boards – an Enterprise Development Board (EDB) and a Social Enterprise Board (SEB). • The relationship between the council and Independence Matters is managed via the EDB, on which the Council has voting control. • The Council owns 49% of the Company shares and the staff own 51% which are held in an Employee Benefit Trust. • The EDB is chaired by the Assistant Director of Early Help and Prevention. Vice Chair of Adult Social Care Committee and Chair of Adult Social Care Committee sit as NCC Members. • In addition, the EDB also contains two senior Council officers with relevant responsibilities as well as the lead commissioner, the Finance Business Partner for Adult Social Care, the Managing and Finance Directors within Independence Matters and one UNISON representative. • The SEB has ultimate responsibility for governance within the company. The company has voting control and the Council is represented on the SEB. The governance arrangements for the SEB are set out in the Company Articles of Association and explained below.

	Control	Description
		• The SEB includes the Managing and Finance Directors within Independence Matters, two staff representatives, two stakeholder representatives, one Council Director and three Non-Executive Directors one of whom is the Company Chair. • Accounts for all trading up to 31 March 2016 were made available at the AGM as was an accompanying annual report. The next Independence Matters AGM is planned to take place on 16 November 2017. Accounts for the year ending 31 March 2017 will be made available at the AGM. • A full business risk register and Quality Assurance framework for Independence Matters is in place. Independence Matters has ISO9001 certification for Norfolk Industries. It is not intended to seek ISO 9001 certification for the rest of the organisation. Independence Matters uses the Council Health & Safety policy.
4.26	Norfolk Safety Community Interest Company (CIC)	• Norfolk Safety CIC is wholly owned by the Council and limited by guarantee. • A Board of Directors, including a Member of the Council, the Chief Fire Officer and Managing Director of the company, oversees the operation of the Company. • The Managing Director of Norfolk Safety CIC is responsible for the day to day management of the company and reports directly to the Board of Directors. • Arrangements for establishing the working arrangements of the Company are currently in hand. • Regular performance management meetings between a designated Board member (Chief Fire Officer) and the Managing Director of the Company, review both financial and non-financial performance. • The Company has adopted quality assurance and health and safety policy standards consistent with the Council as appropriate to the activities of the Company.
4.27	Norfolk Energy Futures Limited	• A Board of Directors, comprises three Officers of the Council, oversee the operation of the Company. • Annual project based budgets are approved by the Board and progress against these budgets is reported monthly at Board meetings.
4.28	France (Channel) England programme	Norfolk County Council has been designated to manage the 2014-2020 France (Channel) England Interreg Va European programme. Assurances were provided by the UK Government in October 2016 that for projects selected prior to the actual exit date, partners from the UK will have their full funding guaranteed.

	Control	Description
		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. Nine projects have been approved to date worth €34.1 M ERDF – with an overall total value of €49,6 M (the first project was approved in June 2016, another 3 projects were approved in November 2016, 3 projects in February 2017, and 2 projects in March 2017). The Council is responsible for delivering the following functions: • The Managing Authority, which manages the delivery of the Cooperation Programme • The Certification Authority, which is responsible for payments to partners and claims from the European Commission • The Audit Authority, which will provide assurance and be accountable to the European Commission and its Court of Auditors • The Joint Secretariat, which assists all of the above under the authority of the Managing Authority. 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 strategy and plan. Should significant issues arise and fail to be resolve with regards to the management and control system, these would be reported to the Audit Committee. No such issues were reported in 2016/17.

5 Review of the effectiveness

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 Executive Directors within the County Council who are responsible for the development and maintenance of the governance environment
- The signed departmental assurance statements received by Executive Directors
- The Annual Governance Statement working group
- The Chief Internal Auditor's annual report
- Comments made by the external auditors and other review agencies and inspectorate
- Systems and controls of the County Council as outlined in paragraph 4.

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. Significant governance issues have been identified in section 6.

Paragraphs 5.7 to 5.11 set out the review mechanism for the County Council's subsidiary companies.

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

5.1 The Council & Executive Directors

	Process	Comment
1	Statutory roles of Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing. (This fulfils principle A included in the new code as per 1.3)	• Members have received the full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. • An Annual Internal Audit Report from the Executive Director of Finance/Chief Internal Auditor was made to the Audit Committee at its 15 June 2017 meeting. There were no exceptions to report. • An Annual report of the Monitoring Officer was made to the Audit Committee at the 15 June 2017 meeting. There were no exceptions to report. • Approval of the annual Statement of Accounts is by the Audit Committee each September. • There is an annual review of the Constitution and other key policies and strategies (The Policy Framework). • The Council published the annual Equality Duty Information report in January 2017 detailing how NCC complied with the Equality Act 2010. This

	Process	Comment
		included the embedded heightened levels of accessibility into the County Hall refurbishment and Digital Norfolk Ambition (DNA), to make good accessibility for service users and staff the ‘norm’. This approach is now standard and is being used with other refurbishment projects. • Equality Objectives were published through the Policy and Resources Committee in March 2017.
2	Risk Management policies and procedures are in place to ensure that the risks facing the Council in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed. (This fulfils principle F included in the new code as per 1.3)	• The Council approved its Risk Framework and Policy, ‘Well Managed Risk Management’, in 2013. This was reviewed and updated in 2014 and the updates were approved by Full Council. The existing Risk Management Framework is currently being reviewed and revised, consisting of a revised Risk Management Policy accompanied by a series of Risk Management Procedures. Approval of these documents from Full Council is planned for later in 2017. The Audit Committee, established in 2005, has responsibility for governance arrangements including for risk management. • The embedding of strategic risk management into business activity continues throughout the County Council. • Corporate and departmental risk registers are in place and being used by managers as a management tool. • Reporting of risk management activity to Members is embedded; for instance corporate risk registers are reported to the Audit Committee quarterly, each of the Service Committees receives reports, to County Leadership Team and Senior Management Teams. The quality and range of data and information included in these reports has been strengthened to better inform committee members on progress with managing specific risks and give them a better overview of the risk profile of each service. • A risk management e-learning package for members and officers has been developed and is available to all members and staff. This complements the existing training available through the Human Resources. • Insurance policies and funds are in place and are regularly reviewed at least annually to ensure the Council is adequately safeguarded.

	Process	Comment
		• 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 Fire and Rescue Authority to produce an Integrated Risk management Plan (IRMP). Norfolk FRA published its IRMP for 2016-2020 in February 2016. • Executive Directors have confirmed the risk registers have been regularly reviewed and updated throughout the year.
3	Provision of effective, efficient and responsive systems of financial management. (This fulfils principle A and F included in the new code as per 1.3)	This is achieved through a number of processes. For example: • The Council's Constitution sets out the Council's decision-making framework, including delegation arrangements. The Constitution includes Contract Standing Orders and Financial Regulations which set out how decisions are made and the procedures to be followed. Updated Financial Regulations were approved by Council on 11 April 2016 • The Executive Director of Finance and Commercial Services is responsible for ensuring that appropriate financial advice is given on all financial matters, keeping financial records and accounts and for maintaining an effective system of financial control. • 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. • 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. • An effective Audit Committee is in place. • Councillors' roles and responsibilities for monitoring financial performance/budget

	Process	Comment
		management are clear and that they have appropriate access to financial skills and training to discharge their responsibilities. • Ongoing monitoring of assurance arrangements in respect of partnerships and alternative service delivery models with appropriate access to information. • Risk management arrangements are effective • Finance and other staff are assessed to ensure they have the necessary financial skills to carry out their roles effectively. • Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function. • Measures are in place to prevent, detect and investigate fraud and corruption. • Two Executive Directors confirmed the financial regulations are being fully complied with. Three Executive Directors confirmed financial regulations are partly complied with and are currently working towards full compliance.
4	Delivery of services by trained, skilled and experienced personnel. (This fulfils principle E included in the new code as per 1.3)	The key process for ensuring delivery of services by trained, skilled and experienced personnel is through individual performance management. Managers ensure that all employees understand the council’s strategic direction and priorities and how their job relates to them through their individual objectives, and that performance conversations identify areas requiring improvement and galvanise positive action. Framework of expectations have been set out for all for senior managers - including common leadership objectives, and a set of behavioural expectations (as part of the revised ways of working). A leadership assessment process was undertaken during the year and the managers involved were provided with individual feedback on their performance. The County Leadership Team has considered the collective organisational feedback which has informed the directed development areas for this group. Corporately, the priorities for senior managers are the development of coaching skills to increase performance

	Process	Comment
		and the development of commercial skills and delivery of these priorities is currently being planned. Performance Conversations training provided during 2015-16 has developed managers' ability to engage people in 'high quality conversations around how we improve. A monitoring system of the appraisals is in place through Oracle where completion rates and ratings are recorded by line managers. This information is provided to departmental management teams and CLT to review and take up follow up action. Progress is being made on implementing key actions to improve staff performance. Appraisal completion rates overall for NCC for 2016 were 89% - improvement from 81% in 2015. Executive Directors are accountable for ensuring appraisals are performed. The number of appraisals undertaken and outstanding are reported to Departmental Management Teams and CLT. Three Executive Directors confirmed performance targets are in place for permanent staff. Two Executive Directors have identified coverage is not universal and this will be addressed as part of the 2017 appraisal cycle.
5	Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate. (This fulfils principle D included in the new code as per 1.3)	The County Council Plan sets out the Council's strategic ambition, priorities and the areas of the Council's business where it needs to make the fastest improvements to secure Norfolk's long term future. Regular reports including any action that is planned are received and understood by members. Progress with meeting these targets will be reported at the July 2017 Policy and Resources Committee. Section 4.4 above provides details of the corporate performance management framework that has been in place during 2016-17. Each Service Committee considers performance monitoring reports quarterly. These provide both quantitative and qualitative performance information and performance is monitored against KPIs. Where available and appropriate, benchmarking against national averages and statistical neighbours. In parallel, each Departmental Management Team reviews performance at least monthly, with challenge provided by the Business Intelligence function.

	Process	Comment
		External challenge has been provided through inspections and peer reviews. See section 5.6 below. All Executive Directors have confirmed KPIs have been established, monitored and reported regularly.

5.2 The Council, Service Committees, Audit Committee, and Pensions Committee

Process	Comment
The business of the Council is carried out and developed through the Council, Service Committees, the Audit Committee and the Pensions Committee. (This fulfils principle E included in the new code as per 1.3)	Decisions are made by all-party committees with membership reflecting the overall political makeup of the Council. Committees debate, challenge and make decisions. The need to make sure that decisions are robust and that members are sufficiently challenging and have the appropriate level of support and information was clearly understood and made part of the Member Training Programme. The Pensions Committee and the Audit Committee continue in their current roles. The Pensions Committee is now supported by the new Oversight Board. An internal audit in early 2017 confirmed that the Oversight Board was fulfilling its Terms of Reference.

5.3 The Standards Committee

Process	Comment
The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members. (This fulfils principle A included in the new code as per 1.3)	The last Standards Committee was convened on 23 March 2016.

5.4 Chief Financial Officer

Process	Comment
The Executive Director of Finance and Commercial Services is the Chief Financial Officer (CFO) for the Council	The financial management arrangements conform to the CIPFA 2010 statement on the role of the CFO.

(This fulfils principle A included in the new code as per 1.3)	

5.5 Internal Audit

Process	Comment
Internal Audit provide independent and objective assurances across the whole range of the Council's financial and non-financial activities (This fulfils principle F included in the new code as per 1.3)	• Changes in the terms of reference for the Audit Committee are approved by the full Council. Minor changes have been recommended for consideration by the Audit Committee in June. • The Audit Committee received an Annual Report on the delivery of the Internal Audit Plan and the assurance opinion at its 15 June 2017 meeting. No exceptions were reported. • The External Auditor is able to place reliance on the work of Norfolk Audit Services and has assessed that Internal Audit provides an effective service overall. • 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 now known as the International Standards for the Professional Practice of Internal Auditing. An external review was undertaken by CIPFA in May 2017. • Norfolk Audit Services is continuing to develop its work programme such that resources are allocated based on a systematic assessment of all areas of risk facing the Council in carrying out its functions.

5.6 Other explicit review/assurance mechanisms

	Process	Comment
1	External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice. (This fulfils principle F included in the new code as per 1.3)	• The overall key message in the external auditor's (EY) Annual Audit Letter (available on the Council Finance webpage Statement of Accounts 2015-6) was that an unqualified opinion was issued on the Council's accounts for 2015-6. • The County Council was also given an unqualified 'Value for Money' opinion, within the Annual Audit Letter 2015-16. • The County Council complies with the CIPFA/LASAAC Code of Practice on Local

	Process	Comment
		Authority Accounting in the United Kingdom 2014/15.
2	Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply. (This fulfils principle A included in the new code as per 1.3)	• The County Council complies with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 • The County Council has adopted the CIPFA Treasury Management in Public Services Code fully revised second edition 2011. • Norfolk Audit Services has implemented the International Standards for the Professional Practice of Internal Auditing, which came into effect on 1 January 2017. Norfolk Audit Services self-assesses compliance annually. An external assessment has been conducted in May 2017, in line with the requirements of the standards.
3	Reviews by external agencies and inspectorates, which would encompass most major services, and other specific external evaluations, for example, the Local Government Ombudsman and Health & Safety inspectorates. Include peer reviews. (This fulfils principle A included in the new code as per 1.3)	Finance and Commercial Services • An ICO Audit was undertaken during the year as detailed at 4.7 above. The Council was awarded a status of 'Reasonable Assurance' • A review of Internal Audit took place as detailed at 5.5 above • Norfolk County Council holds a Public Services Network certificate, granted in December 2016. The Public Services Network (PSN) allows the UK government to safely and securely enable and share public services effectively and efficiently. The PSN accreditation is renewed annually. The most recent IT Health Check conducted for the current PSN certification identified fewer issues to be addressed. • Norfolk County Council has received acknowledgement from the NHS that we have met the compliance for Level 2 of the NHS Information Governance toolkit in line with our Norfolk and Waveney Local Digital Roadmap partners. HR • The Payroll function is covered by the programme of external audit, some of these audits, by agreement, are carried out by our internal audit on their behalf. • The Health & Safety function is ultimately answerable to the HSE and in the last year we had

	Process	Comment
		two completed investigations by the HSE, (Wensum Lodge, Suffield Park School). The HSE concluded that our systems were satisfactory. There is a third investigation which is ongoing at this point. • Norfolk Fire and Rescue Service carried out one investigation into the adequacy of fire arrangements / risk assessments within Schools. Investigation concluded that the arrangements were satisfactory. nplaw • NpLaw had its external Lexcel (the Law Society's legal practice quality mark for excellence in legal practice management and excellence in client care) assessment in March 2017 and its accreditation as a legal practice was renewed. Children's Services • In March 2017 an Ofsted visit took place in Great Yarmouth and specifically looked at leadership and management, support for care leavers, looked after children and help and protection. Ofsted recognised Norfolk County Council had taken decisive action to speed up improvements in Children's Services. Improvements were found in leadership, performance management, support for foster carers and for those leaving care. However care leavers' pathway plans were still not sufficiently challenging and the quality of child protection planning was not yet good. Adult Social Services • A CIPFA social care risk tool has been completed. Community and Environmental Services (CES) • The Norfolk Community Learning Services had a full Ofsted inspection in April 2016. An overall effectiveness grade of good was awarded. Norfolk Community Learning Services has been shortlisted as one of the six finalists for the most improved Council category, in the Municipal Journal awards..

	Process	Comment
		• Other accreditation obtained by CES have been appended at Appendix 1. • Fire and Rescue Authorities must provide both local communities and the Government with an annual statement of assurance on financial, governance and operational matters. • Norfolk Fire and Rescue (NFRS) must demonstrate it is doing what the Government expects of it, as laid down in the National Framework for Fire and Rescue Authorities 2012 and that it is delivering the local Integrated Risk Management Plan. • The Annual Statement of Assurance for 2015/16 can be found at Norfolk Fire and Rescue Statement of Assurance 2015/16, on their website . • Fire and Rescue Service Peer challenges are managed and delivered by the sector for the sector. They complement the industry standard Operational Assessment (OpA) with a 'sector-delivered' peer challenge once every three years. • The Review has been published on the Norfolk Fire and Rescue Service website and can be found at Norfolk Fire and Rescue Service Peer Challenge Report. • ISO 9001 revalidation, September 2016 (Fleet, Operational Assurance & Technical Services departments).
	Other Independent Reviews	There have been no other reviews during this period.

5.7 Review Mechanisms for NORSE

	Process	Comment
	NORSE activities review mechanisms include •	The Managing Director of the NORSE Group has completed a controlled self-assessment questionnaire confirming adequate controls were in place in the Norse companies for 2016-17. During the year improvements were made in respect of the Council's governance arrangement in respect of Norse. These include clarity of purpose, parent approval of business plans and strategies, clarity over who is responsible for stewardship of NORSE, improved control through a Shareholders' Agreement and regularly reviewed Service Level Agreements and effective reporting, audit and scrutiny with member and officer oversight. NORSE Group Company Secretary confirmed that the following review mechanisms are in place. Quarterly Board meetings receive reports on all aspects of the Business. The Board includes a senior member and is chaired by the Executive Director of Resources of the Council. Board meetings are also attended by the shareholder representative and the Executive Director of Finance and Commercial Services. The Shareholder Committee, comprising six members and politically balanced, receives quarterly reports on the activities of the Companies. Shareholder consents as required under the Articles of Association are considered for approval by the Executive Director of Finance in consultation with the shareholder representative before review by the Shareholder Committee. All Board Papers are sent to the Council's Managing Director and Executive Director of Finance. The services provided by Norse Care are subject to external audit by the Care Quality Commission.

5.8 Review Mechanisms for Hethel Innovation Ltd (HIL)

	Process	Comment

	HIL activities review mechanisms include •	During the year Norfolk Audit Services performed an audit on the governance arrangements in place and an acceptable opinion was given. Quarterly Board meetings received reports on all aspects of the Business. The Board includes a senior member and a senior officer of the Council and is chaired by the Chairman of Hethel Engineering. Senior management meetings included Council representation. The activities undertaken by Hethel Innovation Ltd are subject to external audit by the Department for Communities and Local Government (DCLG) in connection with the European Regional Development Fund (ERDF) grant received.

5.9 Review Mechanisms for Norfolk Energy Futures Ltd

	Process	Comment
	Norfolk Energy Futures Ltd review mechanisms include •	The Managing Director of Norfolk Energy Futures Ltd has completed a controlled self-assessment questionnaire confirming adequate controls were in place in for 2016-17. A Board of Directors, comprises three Officers of the Council, oversee the operation of the Company. Annual project based budgets are approved by the Board and progress against these budgets is reported monthly at Board meetings.

5.10 Review Mechanisms for Independence Matters Community Interest Company (IMCIC)

	Process	Comment
	IM CIC activities review mechanisms include •	The Managing Director of IMCIC has completed a controlled self-assessment questionnaire confirming adequate controls were in place in for 2016-17.

		All services within Independence Matters are required to adhere to Care Quality Commission standards. Non-regulated services are attached to a regulated service using a 'buddy' system to ensure that this happens. Quarterly Enterprise Development Board (EDB) meetings measured the success of the business in meeting the outcomes laid out in the service specification. Quarterly Social Enterprise Board (SEB) meetings received reports on the operational and financial aspects of the Business. The EDB included one senior member and one other member of the Council, as well as a number of senior Council officers and one UNISON representative and is chaired by the Director of Integrated Commissioning. By virtue of member involvement, the EDB has responsibility for making recommendations to full Council as necessary regarding Performance Notices or Remedial Action Plans. The SEB contains three non-executive directors, one senior Council officer, two staff representatives and two shareholder representatives and is chaired by an independent non-executive director. Two other non-executive directors have roles on the Board. The services provided by Independence Matters are subject to external audit by the Care Quality Commission.

5.11 Review Mechanisms for Norfolk Safety Community Interest Company (NSCIC)

	Process	Comment
	NSCIC activities review mechanisms include: •	• The Managing Director of NSCIC has completed a controlled self assessment questionnaire confirming adequate controls were in place in for 2016-17. • A Board of Directors, including a member of the Council, oversees the operation of the Company. • Quarterly Board meetings receive reports on all aspects of the Business. • Regular performance management meetings between a designated Board member and

		the Managing Director of the Company will review both financial and non-financial performance. • NSCIC reports annually to the Regulator on how they are delivering for the community and how they are involving their stakeholders in their activities. • The company is subject to legislation and external audit. In relation to profits generated these are asset locked into community interest projects by the Board and Regulator (an independent statutory office-holder appointed by the Secretary of State).

6 Significant governance issues

There are no significant governance issues to report for 2016-17.

The Council is addressing the significant governance issues reported in the previous Annual Governance Statement through its performance, finance and risk reporting to Committees throughout the year and as reported in the relevant sections of this statement.

We are satisfied that these steps are appropriate.

Leader – Cliff Jordan

Managing Director – Dr Wendy Thomson

June 2017

Notes:

Note 1: The following senior officers have contributed to drafting this statement

- Managing Director
- Executive Director of Adult Social Services
- Interim Executive Director of Children's Services
- Executive Director of Communities and Environment
- Executive Director of Finance and Commercial Services (Section 151 Officer)
- Chief Legal Officer
- Head of Democratic Services
- Acting Head of HR
- Head of Programme Office
- Director of Integrated Commissioning
- Chief Fire Officer.

Executive Directors who have produced signed Annual Positive Assurance Statements and supporting assurance tables

Executive Director of Community and Environmental Services
Executive Director of Adult Social Services
Executive Director of Finance and Commercial Services
Interim Executive Director of Children's Services
Chief Legal Officer

Appendix 1

Additional information on service specific accreditations obtained by the Community and Environmental Services Department

Norfolk Library and Information Service
The Norfolk and Norwich Millennium Library has been accredited to deliver Patent Information – part of the national Patent Library Network

Norfolk Museums Service
Norfolk Museums Service's 10 museums are subject to regular, periodic review as part of the national Accreditation scheme. The Accreditation scheme is managed by Arts Council England and assesses many aspects of a museums' governance, operation, financial resilience, learning programmes and collections management. All Norfolk Museums assessed have passed their Accreditation assessments.

Norfolk Record Office
The Norfolk Record Office is an accredited service under the UK Archive Service Accreditation Scheme: the UK standard administered by the National Archives. This Accreditation enables the appointment of the NRO as a Place of Deposit under the Public Records Act.

Vehicle Fleet
Norfolk Fire and Rescue Fleet arrangements have been carried out in line with/under ISO 9001 accreditation.

The County Council's 'O' licence – the Operator's Licence needed to be able to operate goods vehicles over 3.5 tonnes for business use – was granted by the Traffic Commissioner.

Highways Laboratory
Annual audit by the United Kingdom Accreditation Service (UKAS), as the UK National Accreditation Body, confirmed that the Highways Testing laboratory is meeting the standards required to maintain accreditation status.

Highways training, Fast Lane Training Service (FLTS)
This service provides highways service related training – FLTS are registered with a number of national awarding bodies: City and Guilds, Cskills, Lantra and HCTA. Regular standard External quality assurance inspections of qualification standards are carried out to maintain awarding body status. In addition, staff in the casualty reduction team, who provide training services (e.g. driver training), undergo standards checks by the Driver and Vehicle Standards Agency to maintain training authorities – no issues identified.

Customer Services
Customer Services were assessed for “Customer Service Excellence” (the government standard) for the CSC and passed.

The CRM systems and controls were audited by BDO UK (external organisation appointed by internal audit). The audit rated the CRM system and controls as “acceptable”.

Planning
The East of England Aggregates Working Party, provides “technical Advice” on our Aggregates Annual monitoring report, Including the local aggregates assessment and Silica sand assessment. The review of our 2015 report was considered in November 2016. Our 2016 assessment will be reviewed in October 2017.

Trading Standards
External assessment by an ISO9001 certification body of the Trading Standards calibration and verification service is performed annually and during 2016/17 certification was maintained; following confirmation that the requirements of standards and regulations are met on a continuing basis.

Annual assessment by the United Kingdom Accreditation Service (UKAS), as the UK National Accreditation Body, to confirm that the Trading Standards Calibration laboratory is meeting the standards required to maintain its accreditation status. Assessment performed by UKAS during 2016/17; the auditors were extremely complimentary of the services provided and confirmed that compliance is being achieved on a continuing basis and therefore accreditation was maintained.

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. In 2016/17 one officer maintained accreditation as an Accredited Financial Investigator, one officer maintained accreditation as a Senior Accredited Officer and one officer attained accreditation as a Senior Accredited Officer.

Resilience
Health & Safety Executive (HSE) and Environment Agency annual oversight of NCC’s discharge of responsibilities under COMAH Regulations.

Environment Agency (EA) review and approval of Norfolk Tactical Flood Plan.

Environment Service
Annual review/inspection of the Historic Environment Service in terms of its status as a Registered Organisation by the Chartered Institute for Archaeologists, the body responsible for professional standards in archaeology.

Norfolk Biodiversity Information Service accredited By the Association of Local Environmental Records Centres.

Appendix 3 – Summary Statement of Accounts 2016-17

The Council produces an annual Statement of Accounts (the accounts) which reports on the Council's financial performance and shows the assets and liabilities of the Council at the year end. The accounts, which are a statutory document conforming to the Code of Practice on Local Authority Accounting, received an unqualified audit opinion on [xx] September 2017.

This document is a summary of the full Statement of Accounts and gives a brief overview of the Council's financial performance and position for the year ending 31 March 2017. For this purpose it relates to the Council only and not the Group (which includes the Norse Group and Independence Matters). The full Statement of Accounts is prepared in accordance with international accounting standards, so to help make this summary easier to understand some of the presentation has been simplified.

Summary of the Authority's Financial Position for 2016-17

Norfolk County Council's approved revenue budget for 2016-17 was set at £338.960m. At the end of the year there was a net underspend of £0.048m which was transferred to the General Fund.

The Balance Sheet shows net liabilities of £30.4m after accounting for the liability for its defined benefit pension schemes of £1,192.4m.

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

Norfolk County Council continues to face a challenging financial environment. The Local Government Association estimated in November 2016 that councils have dealt with a 40% real terms reduction in core government grant since 2010. The four-year funding allocations announced in 2016-17 provide a degree of additional certainty for local councils' medium-term financial planning. However, the shift away from national funding allocations to locally raised income is probably the single most significant change to local government finance in recent times.

Developments in 2016-17 have provided some clarity around previous uncertainties and risks within the Medium Term Financial Strategy, for example in the withdrawal of the devolution offer for Norfolk and Suffolk, and clarity around changes to New Homes Bonus grant. Nonetheless, uncertainty remains around a number of key areas including plans for the further integration of health and social care and retention of Business Rates.

A comprehensive introduction and summary to the accounts can be found in the Narrative Report in the full Statement of Accounts.

The full Statement of Accounts, including group accounts, and accounts of the Norfolk Pension Fund and the Fire-fighters Pension Scheme, and also the Council's Annual Governance Statement, is available on the Council's website.

Paper copies of the accounts are available on request (subject to availability) by telephoning 0344 800 8020.

Simon George, BA (HONS) ACMA ACMT
Executive Director of Finance and Commercial Services

Norfolk County Council, County Hall, Norwich NR1 2DW

What we spent in 2016-17

The Comprehensive Income and Expenditure Statement shows the cost of running the Council's services and where the money came from to pay for them and is summarised below:

	2016-17 Gross Expenditure £m	2016-17 Income £m	2016-17 Net Expenditure £m	2015-16 Net Expenditure £m
Service Income and Expenditure				
Adult Social Services	381.1	110.8	270.3	259.0
Children's Services	591.7	396.0	195.7	178.9
Community and Environmental Services	270.4	105.1	165.3	162.9
Resources	41.7	11.0	30.7	30.4
Finance and Property	54.9	8.8	46.1	20.5
Finance General	14.0	9.4	4.6	(1.7)
Non Distributed Costs	(5.5)	0	(5.5)	(3.6)
Total Cost of Services	**1348.3**	**641.1**	**707.2**	**646.4**
Other Operating Income and Expenditure*			**173.1**	**152.0**
Revenue Support and Unringfenced Grants (from Central Government)			(142.0)	(172.2)
Business Rates			(142.1)	(140.2)
Council Tax			(336.9)	(317.5)
Capital Grants and Contributions			(184.0)	(94.2)
Taxation and Non Specific Grant Income			**(805.0)**	**(724.1)**
(Surplus)/Deficit on the provision of services taken to General Fund			**75.3**	**74.3**

*Other Operating Income and Expenditure includes interest payments and receipts on borrowing and investments; gains and losses on disposals of assets; and adjustments relating to the pension fund.

Impact on the General Fund

The General Fund is money held by the Council to meet unplanned or unforeseen spending demands.

The Comprehensive Income and Expenditure Statement is drawn up in accordance with international accounting standards. However, the Government has stipulated that certain costs that form part of this statement need not be included in the General Fund for the purpose of setting council tax.

These costs are mainly associated with the depreciation of assets and the accrual of retirement benefits (the pension liability), which do not necessarily lead to cash flows in the short and medium term. Consequently, these costs are transferred to the Balance Sheet and replaced with the annual repayment of loans for capital expenditure and the employer's pension contribution.

The resulting net movement on the general fund is summarised below.

	£m
General Fund Balance at 31 March 2016	**19.252**
Net underspend 2016-17	0.048
Rounding adjustment	0.001
General Fund Balance at 31 March 2017	**19.301**

The County Council's Balance Sheet as at 31 March 2017

The balance sheet shows the end of year financial position for the County Council as a whole. It presents the financial value of land, buildings and other assets owned by the Council and the value of borrowings and other debts owed by the Council.

	31 March 2017 £m	31 March 2016 £m
Land, buildings, vehicles, equipment and infrastructure	1,609.6	1,561.1
Inventories	0.5	0.5
Cash and bank balances	51.3	51.3
Investments	117.8	139.2
Money owed to the Council		
Within 12 months	114.2	109.9
After 12 months	67.0	22.0
Less: Money owed by the Council		
Within 12 months	(181.1)	(159.2)
After 12 months	(617.3)	(592.2)
Net Assets before Pension Adjustment	**1,162.0**	**1,132.6**
Less: Pension Liability	(1,192.4)	(871.0)
Net Assets	**(30.4)**	**261.6**
Financed by:		
Cash backed (usable) reserves	217.2	216.7
Non cash backed (unusable) reserves	944.8	915.9
Financing before Pension Adjustment	**1,162.0**	**1,132.6**
Less: Pension Liability Reserve	(1,192.4)	(871.0)
Total Reserves	**(30.4)**	**261.6**

Cash and asset backed Reserves include the General Fund, Earmarked Reserves and the Capital Receipts reserve (proceeds from the disposal of land and other assets set aside to fund capital expenditure).

Earmarked reserves are amounts set aside by the Council to meet specific future spending requirements. Total balances in earmarked reserves were £75.2m at 31 March 2017. The largest reserve is the LMS account, which represents £14.0m net accumulated unspent surpluses or deficits held by schools which are not available to the Council for general use. Other large reserves include monies set aside for highways maintenance and information technology projects. The decrease in the level of earmarked reserves (net £27.9m) is mainly due to significant use of LMS Balances, Business Risk reserve (used mainly for Adult and Children's Social Care), ICT, and schools contingency reserves plus a net use of earmarked grants and contributions.

Details showing the movements in and out of the reserves, and a narrative explaining the purpose of each reserve can be found in note 10 to the full Statement of Accounts.

Non cash backed Reserves include: Capital Accounts (the amount of the Council's fixed assets that have been funded to date), the Collection Fund Adjustment Account (the difference between the full share of council tax and business rate income billed and the amount allowed to be accounted for under Government legislation), and the Accumulated Absences Adjustment Account (the costs of compensated absences, such as annual leave entitlement, earned but not taken in the year). The Capital Accounts comprise the majority of the non cash backed reserves.

The Pension Liability in the table above is a snapshot as at 31 March 2017 of the unfunded pension liability calculated in accordance with statutory regulations in relation to existing and former employees. Because these pension costs do not have to be met in full in the short term, they are offset by a notional Pension Liability Reserve.

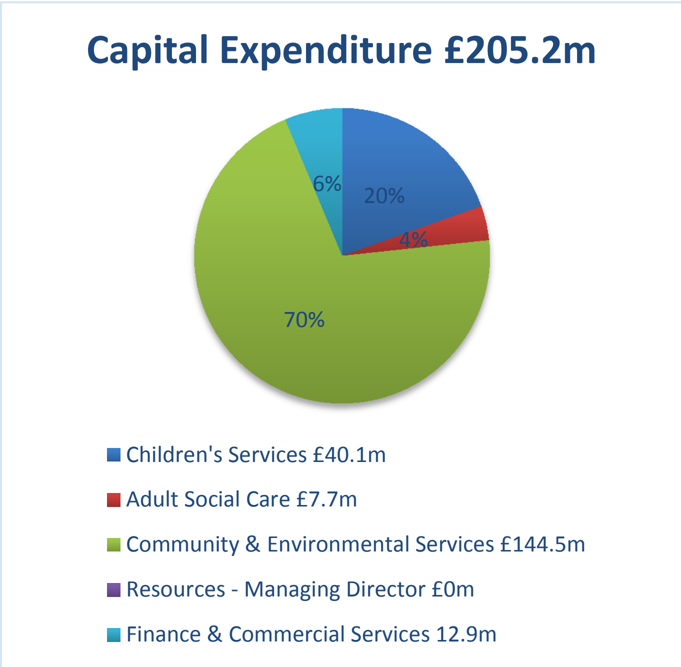
Capital Investment 2016-17

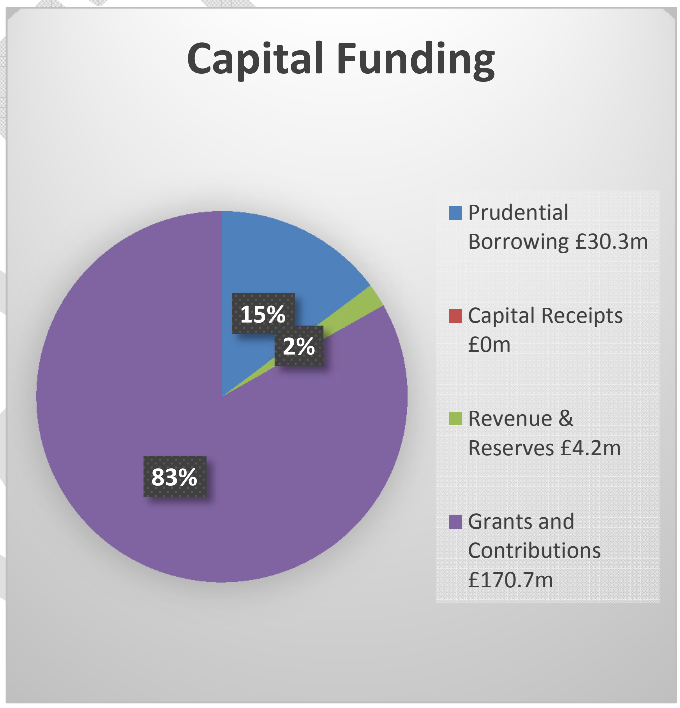
Capital investment generally represents money spent by the Council on purchasing, upgrading and improving assets such as buildings and operational equipment.

In 2016-17, £205.2m was spent on the capital investment programme. The main sources of finance were grants and contributions, prudential borrowing plus contributions from revenue and reserves. Borrowing totalling £40m was undertaken during the year to fund NDR expenditure, with other borrowing requirements met from internal sources during 2016-17.

Major projects in the programme included:

- The Norwich Northern Distributor Road with construction taking place throughout 2016-17
- Schools: increased and improved permanent accommodation
- Highways and bridge maintenance schemes
- Continued development of the Scottow Enterprise Park (former RAF Coltishall site)
- Better Broadband
- A £6.25m loan to the Norse Group to create the International Aviation Academy - Norwich
- The completion of a major refurbishment of the County Hall tower, plus other enhancements to the site.





Appendix 4 – Draft Statement of Accounts 2016-17

Norfolk County Council

Statement of Accounts

2016-17

www.norfolk.gov.uk

Contents

Narrative Report

Introduction

This narrative report provides a brief analysis of the Council's performance and financial position during the year, and assists in the interpretation of the financial statements, including the Group Accounts. It contains a commentary on the major influences affecting the authority's financial results, and includes the following sections:

- An introduction to Norfolk County Council
- Financial highlights
- Outlook for the future
- Explanation of the financial statements
- Further information

An introduction to Norfolk County Council

Council Services in Norfolk

Norfolk County Council is a large shire county representing the whole of Norfolk. Local Government services in Norfolk are also provided by seven district/borough councils and numerous town and parish councils.

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

Democracy

Norfolk County Council has 84 elected members each representing an electoral division of up to 10,000 voters. Every four years the people of each division elect one councillor. At the start of 2016-17 no one party had overall control, changing to Conservative control in May 2016.The most recent election took place in May 2017 resulting in a Conservative majority.

The Council has a Committee structure. Committees, whose membership reflects the overall political makeup of the Council, debate, challenge and make decisions. During 2016-17 the five service committees were Adult Social Care, Children's Services, Communities, Environment Development and Transport, and Policy and Resources. These were supported by sub- and specialist committees.

The Council has a clear strategy with the theme of Moving Norfolk Forward, a key part of which has been a continued focus on four priorities:

- Excellence in education – working for a well-educated Norfolk where people are prepared for real jobs with good wages and prospects
- Real jobs – making Norfolk a place where businesses are able to grow or want to relocate to
- Improved infrastructure
- Supporting vulnerable people – including helping people earlier before their problems get too serious

The following section looks at progress within each of these priority areas.

Excellence in education

More children than ever are being educated in good or outstanding schools - big improvements in Norfolk schools were highlighted in the Ofsted Annual Report in December 2016, with Norfolk the fifth most improved county nationally for the proportion of pupils at good or outstanding secondary schools over the past four years, and the 18th most improved for primary schools. Norfolk is also one of the most improved in the region for children at the end of the early years' stage achieving a 'good level of development'. Norfolk's colleges and sixth form colleges are all rated 'good' by Ofsted.

Norfolk Children's University is run by Educator Solutions - a traded Norfolk County Council service – and is working with over 12,000 children in Norfolk. In February 2017, another 80 five to 12-year-olds graduated from the university, marking the completion of more than 30 hours each of extra learning outside school.

The Norfolk Higher Education Scheme has this year been opened up to all Norfolk students applying to any university with 1,220 registered. In summer 2016, 48 Norfolk state school students were offered places at Oxford or Cambridge University. Increasing numbers of care leavers are moving into higher education, with over 50 of our care leavers (11%) doing university courses, compared to a national average of 6%.

The Council has continued to support children's learning by investing in school buildings as part of its £144m programme of improvements. For example, improvements to Southtown Primary School have transformed the school into a modern all-through primary.

Norfolk has done exceptionally well in the first year of a new measure for local authorities, which combines numbers of young people not in education, employment or training (NEET) and the number of young people whose activity is unknown. This gives a much more accurate picture of young people's circumstances. In Norfolk, we have a combined NEET and unknown percentage of 4.9%, much better than the national figure of 6.8%.

Adult learning - the newly launched Norfolk Community Learning Services (NCLS) succeeded in its aim of jumping two Ofsted levels from 'inadequate' to 'good'. Combined with national recognition in September 2016– the Matrix standard, this demonstrates the high quality of support for Norfolk's adult learners.

Real jobs

The Council aims to create the right conditions to enable businesses to grow, through improvements in infrastructure, connectivity and skills. This will result in "real jobs" for Norfolk – providing security, opportunities and decent pay.

Scottow Enterprise Park (SEP), based at the former RAF Coltishall airbase, is continuing to have a significant positive impact on jobs and businesses within the county, building on its status as an official enterprise zone. To date, SEP has 70 tenants (around 72% occupancy), ten of which are start-up businesses, and has helped to create 236 jobs.

The new £12.5m International Aviation Academy at Norwich International Airport has been the result of a collaboration between the Council, Norse Group, Norwich International Airport, the New Anglia LEP, KLM UK Engineering, City College Norwich, the University of East Anglia and Aviation Skills Partnership. It is purpose-built to provide training to people wanting to work in aviation. It was constructed through 2016-17 and opened its doors in April 2017. It offers local people, as well as students from further afield, world-class training opportunities and provide access to jobs both here and abroad – as well as providing training to industry.

In 2016, the Council set up a Corporate Bid Team which has to date secured £2.5m EU funding, and £7.8m non-EU funding. The Corporate Bid Team also shares its bidding expertise with voluntary and community sector organisations across Norfolk.

The Council's role as managing authority of the INTERREG France (Channel) England Programme is now well established and in 2016 the first four projects were approved with a combined grant value of €18m, and involving 42 partners from France and the UK.

Department for Education data shows that Norfolk has the highest number of 16 and 17-years-olds in the Eastern Region participating in apprenticeships, with growth in excess of 3% in October 2016 compared with the previous year.

Improved infrastructure

It was a productive first full year in the construction of the Norwich Northern Distributor Road (NDR) which will provide Norfolk, Broadland and Norwich with high-quality infrastructure that will serve the county, its people and the economy for years to come. Work is going well, with most of the 1.5 million cubic metres of bulk excavation complete, three roundabouts in use at the western end, bridge beams installed or imminent on four of the eight bridges and nearly 9km of carriageway complete to base asphalt layers. A new Tarmac plant at Postwick supplied around 150,000 tonnes of asphalt for the 20km dual carriageway. Planting of the 300,000 shrubs, trees and hedgerow plants is well under way.

The latest tranche of Better Broadband for Norfolk (BBfN) will see high speed broadband coverage reaching more than 95% of Norfolk homes and businesses by spring 2020. Currently, 87% of households and businesses in Norfolk can get a superfast broadband service, more than double the number four years ago (42%).

Along with Suffolk County Council and the New Anglia Local Enterprise Partnership, work to research and produce an integrated transport strategy was commissioned in October 2016. In addition, £1m has been secured from the Department for Transport to develop the business case for a third river crossing in Great Yarmouth. Significant work has been undertaken in relation to schemes to improve the highways network, including sections of the A47, the NDR western link, the Long Stratton bypass. The first section of the new £1m Hoveton to Horning Three Rivers cycleway opened in July 2016.

Supporting vulnerable people

Supporting vulnerable people, so that more are living independently and safely in their communities, remains a key priority for the authority. Good progress against this priority has been made but there is still a lot to do and we continue to face many challenges, such as high numbers of looked after children and the urgent need for an effective edge of care service.

Social workers from Adult and Children's Social Services have produced Norfolk's Social Work Philosophy. Supporting our fundamental principles of promoting adults to be independent and supporting children to remain safely within their own family and based on the core principles of professional integrity, empowering service users, and innovation, passion and creativity, it provides underpinning guidance for social workers and a common understanding about how social work is practiced in Norfolk.

Services for adults – examples:

Loneliness can cause ill health and reduce people's ability to lead fulfilling and independent lives. In November 2016 the Council launched its In Good Company campaign to combat loneliness and raise awareness of the wide range of support on offer in Norfolk. Since the campaign launched, we've received hundreds of pledges from individuals and organisations to help tackle loneliness in their community.

Norfolk has a long tradition of extending the hand of friendship to those in need and this has held true in this case of welcoming Syrian refugees to the county. At the beginning of February, the first five Syrian families arrived in Norwich to begin their new life in Norfolk.

In December 2016, the Council reached the 500 mark for training domestic abuse 'champions' in frontline professions to help people suffering abuse.

There are numerous examples of innovative working with Health and Care counterparts to improve service users' lives and, for example, to reduce hospital admissions and to facilitate successful early hospital discharge. In addition the Council has sustained a strong library service reaching into all Norfolk Communities. The new automated security system at the Norfolk and Norwich Millennium Library means the library can be open from 8am-10pm and since summer 2016, residents have been able to access library services via a free smartphone app.

Services for children – examples:

Recruiting and retaining social workers is a challenge for many councils. In summer 2016, the Council launched its own social care academy which offers training and mentoring to social workers at all stages of their career. The academy builds on the work of the Norfolk Institute for Practice Excellence (NIPE) scheme, an innovative partnership with the University of East Anglia. 110 social workers have been employed through NIPE since it was set up two years ago.

Fostered children in Norfolk are benefiting from the new Norfolk Fostering Advisory Partnership. In November 2016, 300 foster carers, Children's Services staff and delegates from schools and health services gathered together for the first team around the child conference, discussing the impact of early trauma on children and young people.

Finally, every year the Council recognises the remarkable achievements of the children and young people in our care. Around 70 children and 250 guests attended this year's event, organised by our Virtual School for Children in Care, to celebrate academic, sporting and cultural successes or significant progress at home or school.

Financial highlights

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2016-17 was £338.960m, representing the Council's share of Council Tax receivable during the year. The net budget remained unchanged throughout 2016-17.

The final outturn position for the year against the revised budget is set out in the table below. At the end of the year a net underspend of £0.048m was transferred to the General Fund.

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

Service	Revised Budget £m	Net (under)/ over spend after use of reserves £m	%
Adult Social Services	250.392	4.399	1.8%
Children's Services	159.898	8.570	5.4%
Community and Environmental Services	163.074	(0.144)	(0.1%)
Resources - Managing Director	7.776	0.112	1.4%
Finance and Commercial Services	63.726	(0.670)	(1.1%)
Finance General	(305.906)	(12.315)	4.0%
Totals	**338.960**	**(0.048)**	**0.0%**
Transfer to General Fund		**0.048**	

During the year a number of responsibilities including IT were transferred to the Director of Finance and Commercial Services**.** The figures in the table above is presented as though the service structure in place at 31 March 2017 had been in place throughout the year.

Service overspends and underspends

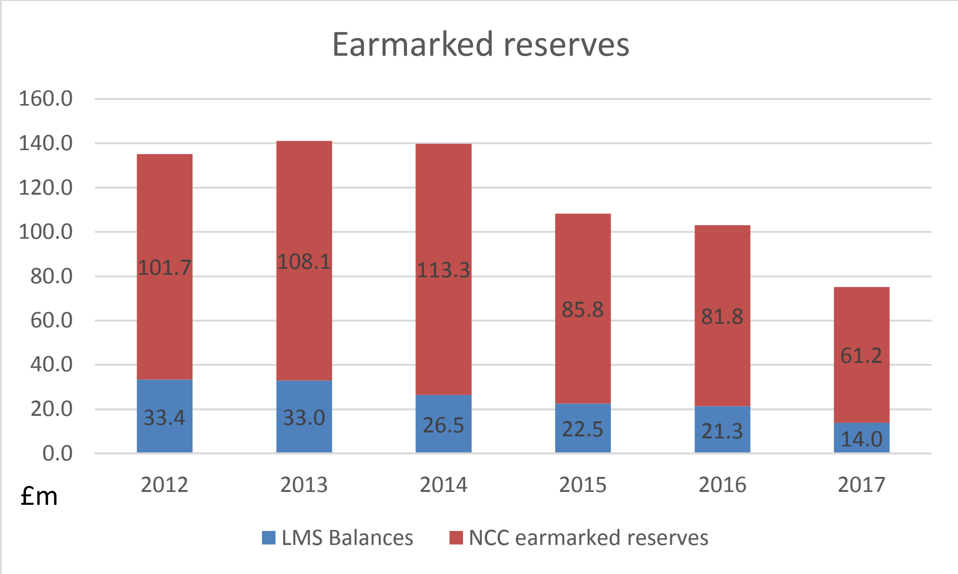
The main area of overspend in 2016-17 has been within Children's Services. As in previous years, the area of Looked After Children (LAC) has provided the most financially challenging, due to the number of Looked After Children not reducing as planned. The resulting financial pressures in agency residential and agency fostering costs has generated a significant over-spend.

Within Adult Social Services, the overspend is primarily due to the net cost of Services to Users (purchase of care). Potential overspends have been limited by the use of Care Act funding, savings within the service, and the use of a £10m Business Risk reserve set aside in 2015-16.

Net overspends in Adult Social and Children's services were more than off-set by underspends and additional income in Finance General. The largest underspends relate to limiting the Minimum Revenue Provision (MRP) required to be set aside under the Council's current MRP policy, plus decisions to limit new borrowing in 2016-17 to the £40m borrowed specifically to part fund the Norwich Northern Distributor Road.

Earmarked reserves

Earmarked reserves are funds, including unspent grants and contributions, set aside for specific purposes for future use by the authority, apart from LMS balances which belong to individual schools. After a big reduction in reserves in 2014-15, reflecting the Willows energy from waste settlement and general budgetary pressures, balances stabilised in 2015-16, due to a change in the way the Council's MRP is calculated which enabled £10m to be set aside in March 2016. However, reserves have reduced significantly through 2016-17, reflecting the significant financial pressures being faced by local government.



Reserves reduced across most services during the year. The largest reductions were the Schools DSG contingency fund, which was fully utilised at the year end, and use of the £10m Business Risk Reserve was required to support Adult Social Care. As part of the 2017-18 budget setting process £4.5m of government transitional grant funding has been added to the Business Risk Reserve to help ameliorate the level of savings required in 2017-18. LMS balances, which are managed by schools, have reduced significantly.

General fund

The net outturn underspend for 2016-17 was transferred into the General Fund. During 2016-17 movements on the General Fund balance were as follows.

	£m
General Balances 1 April 2016	**19.052**
Use of funds for one-off purposes: Increase in General Balances agreed as part of 2015-16 budget setting	0.200
	19.252
Net underspend 2016-17	0.048
Rounding adjustment	0.001
General Balances at 31 March 2017	**19.301**

Capital Budget and Spending

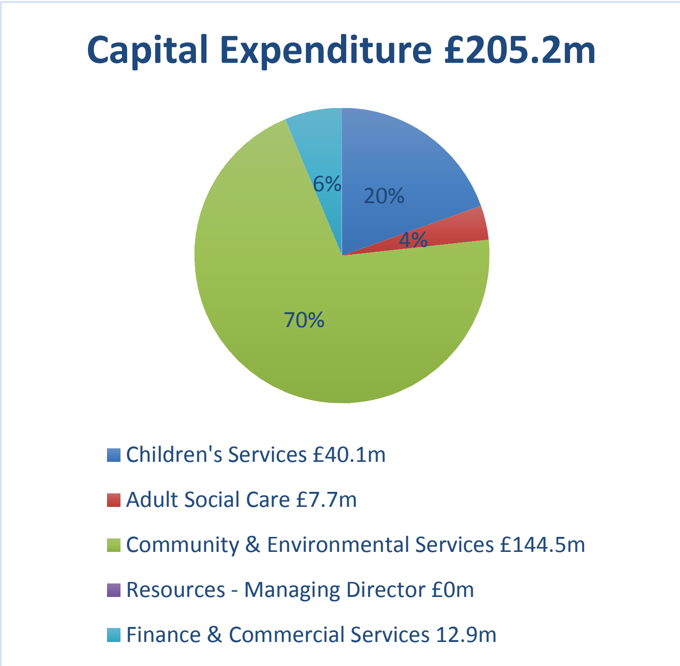
Capital expenditure totalled £205.2m in 2016-17: a significant increase compared to the £129.1 spent in 2015-16. The majority of the increase is accounted for by the Norwich Northern Distributor Road (NDR). Construction started in January 2016, with the majority of construction expected to be complete by the end of 2017-18. Expenditure on school buildings at over £40m also forms a significant part of the programme.

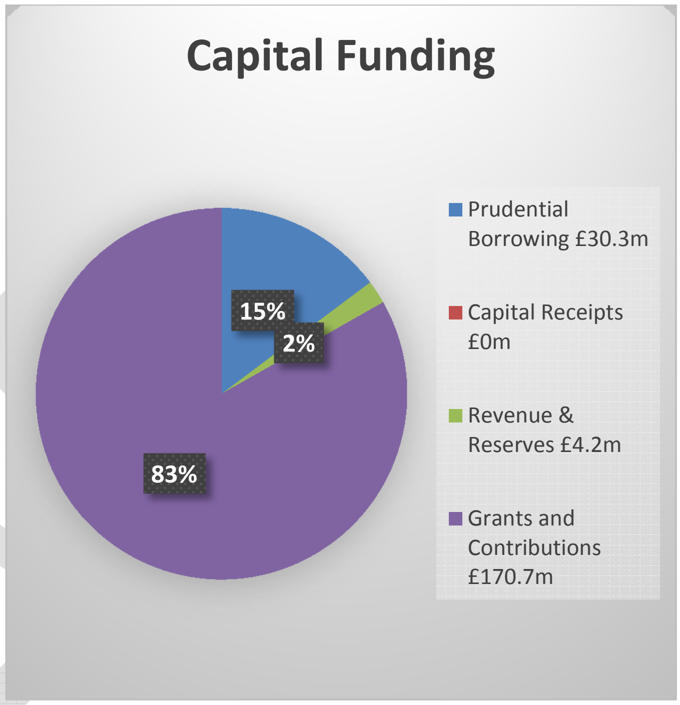
The County Council approved a capital budget in February 2016, with £267.5m related to 2016-17 and £166.6m to later years. Re-profiling from 2015-16 and subsequent funding announcements were added to the programme. After adjusting for items re-profiled into 2017-18, plus further accounting adjustments, the final 2016-17 programme budget and expenditure was £205.2m. The main sources of finance were government grants, contributions from developers, plus contributions from revenue and reserves. Borrowing totalling £40m was undertaken during the year to fund NDR expenditure, with other borrowing requirements met from internal sources during 2016-17.

The Council achieved capital receipts totalling £3.1m from the sale of property and loan repayments. Farms capital receipts are partially set aside for the purchase of farm land. Unlike in previous years where capital receipts have been used to fund capital expenditure, non-farms receipts in 2016-17 have been set aside to enable the Council to directly re-pay debt in future years.

Major projects in the programme included:

- The Norwich Northern Distributor Road, with construction taking place throughout 2016-17
- Schools: increased and improved permanent accommodation
- Highways and bridge maintenance schemes
- Continued Development of the Scottow Enterprise Park at the former RAF Coltishall site
- Better Broadband
- A £6.25m loan to the Norse Group to create the International Aviation Academy - Norwich
- The completion of a major refurbishment of the County Hall tower, plus other enhancements to the site.





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 2017, the Council's external borrowing totalled £521m including £40m borrowed in 2016-17 to support the construction of the Norwich Northern Distributor Road. Loan principal amounting to £7.8m is due to be repaid within one year.

To put the level of debt in context, the depreciated balance sheet value of the Council's land, building, infrastructure and other property, plant and equipment is £1,580m.

Future capital programme

In order to replace and develop its assets and infrastructure, the Council needs to maintain a significant capital programme.

2017-20 capital programme by service		2017-20 capital programme funding	
	£m		£m
Children's Services	141.0	Prudential Borrowing	164.2
Adult Social Care	14.6	Capital Receipts	-
Community & Environmental Services	168.1	Revenue & Reserves	0.8
Finance and Commercial Services	59.6	Grants and Contributions	218.3
Total	**383.3**	**Total**	**383.3**

The major on-going capital schemes are for improving the county's schools estate and transport infrastructure. The major scheme under construction is the Norwich Northern Distributor Road (NDR) for which £61m is included in the forward programme, the majority which will be spent by the end of 2017-18 when sections of the road will be open to traffic.

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

Pensions Deficit

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees, as required by IAS 19. As a result, the estimated pension liability, measured on an actuarial basis, is included in the Council's Balance Sheet, effectively reducing the Net Assets of the Council by £1,192m.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31 March 2017, with the value of assets and liabilities changing on a daily basis. There is a neutral impact on the Council's Comprehensive Income and Expenditure Statement reported for the year as the effect of IAS 19 is reversed through the use of a pensions reserve.

Provisions

At the end of the financial year, the Council's provisions stood at £25.7m compared to £27.4m at the start of the year. Reductions in the Council's insurance provision and employment cost provisions have been largely offset by increases in the landfill and bad debt provisions.

Outlook for the future

The four-year funding allocations announced in 2016-17 provide a degree of additional certainty for local councils' medium-term financial planning. However, the first two years of the settlement include the most significant reductions for the council. Increased funding from the Improved Better Care Fund (BCF) does not have a significant impact until 2018-19.

Additional funding via the Adult Social Care Support Grant, although welcome, relates to 2017-18 only and therefore does not contribute to solving long-term funding issues within social care. Similarly, the increased flexibility in the Adult Social Care precept simply brings forward existing funding and increases the burden on local council tax payers. Developments in 2016-17 have provided some clarity around previous uncertainties and risks within the Medium Term Financial Strategy, for example in the withdrawal of the devolution offer for Norfolk and Suffolk, agreement of local BCF shares, and clarity around changes to New Homes Bonus grant. Nonetheless, uncertainty remains around a number of key areas:

- plans for the further integration of health and social care;
- the impact of the decision to leave the EU;
- the potential impact of any transfer of responsibilities for the Fire Service to the Police and Crime Commissioner;
- the achievability of Government growth assumptions for Council Tax;
- the configuration of local service delivery and local government reorganisation;
- retention of Business Rates; and
- responsibilities associated with improved BCF allocations in future years.

Recognising the severe pressures on Adult and Children's social services, additional resources have been allocated to these services, financed in part by a 4.8% council tax increase, as well as a draw on the Council's earmarked reserves. The level of council tax increase, shortly before the May 2017 county council elections has demonstrated both Members' commitment to these services, and the intense financial challenges the Council faces in delivering these crucial services to some of the most vulnerable members of society.

The primary objective of the Council's Medium Term Financial Strategy 2017-20 is to show a balanced three year budget. The Council's revenue budget plans to deliver a balanced budget for 2017-18, but a deficit remains of £16.125m in 2018-19 and £18.890m in 2019-20 (an overall deficit in the Medium Term Financial Strategy of £35.015m). Further savings or additional revenue funding need to be identified to meet shortfalls in 2018-19 and 2019-20 and a detailed timetable for the identification of the required savings and future year budget setting is set out in the Council's Revenue Budget report.

Management of Risk

As part of the overall development of a performance management framework for the Council, a new approach to corporate risk management was adopted in 2015-16. Responsibility for Strategic Risk Management was passed over to the Chief Internal Auditor and a Medium Term Risk Management Strategy is being developed.

The Council's Corporate Risk Register is regularly reviewed by the Audit Committee. The register provides a full description of corporate risks, mitigating actions and the progress made in managing the level of risk. Departmental level risks are also reviewed by the appropriate Service Committees. Overall, corporate risk scores have remained generally stable during 2016-17.

Future material accounting changes

No material accounting changes are anticipated in 2017-18. However, the implementation of IFRS16 will have a significant impact on the way in which leased assets are accounted for in 2018-19. Under existing rules, lessees account for leases as either operating leases or finance leases depending on the nature of the lease, with only finance lease assets and liabilities being recognised on the balance sheet. IFRS16 will require all leases, with very few exceptions, to be included in the balance sheet.

Changes previously anticipated in relation to accounting for the Highways Network Asset are no longer required.

Explanation of the financial statements

These financial statements for 2016-17 are set out in accordance with the **Code of Practice on Local Authority Accounting in the United Kingdom 2016-17: based on International Financial Reporting Standards (IFRSs).** They comprise: core statements, notes to the accounts, supplementary statements, group accounts, and Norfolk Pension Fund accounts. The purpose of each element is as follows:

1. The core statements

- Comprehensive Income & Expenditure Statement

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

From 2016-17, local authorities are no longer required to report the cost of individual services in this statement in accordance with Service Reporting Code of Practice, as has been the requirement in previous years. Therefore, the service headings in the Net Cost of Services are reported in line with the service structures reported to Council committees. This means that the costs of central support services are no longer apportioned to other service headings but included in full in the appropriate service committee heading and the accounting policy on Overheads has been restated to comply with this presentation. The comparative figures for 2015-16 have been restated accordingly.

- Movement in Reserves Statement

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

- Balance Sheet

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

- Cash Flow Statement

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

2. Notes to the Accounts

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

3. Supplementary Statements

The accounts contain two supplementary statements:

- Fire fighters Pension Fund Accounts

- Pension Fund Accounts – this section summarises the revenue and investment transactions of the Norfolk Pension Fund for 2016-17 and its financial position at 31 March 2017.

Supporting notes follow each of the supplementary statements above.

Group Accounts

The Code of Practice requires that Councils consider the need to include group accounts in its published Statement. The Council has reviewed its interests in companies and other organisations to determine which are to be included in the Group Accounts for 2016-17.

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

- With turnover of over £285m, Norse Group is itself a large group providing facilities management, property consultancy and care services to both public and private sector clients throughout the UK.
- Independence Matters CIC is the first 'spin out' social enterprise to be launched by Norfolk County Council, with over 600 staff transferring from the Council's Personal and Community Support Services in 2013. Turnover for the year is over £14m.

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

Norfolk Pension Fund

Norfolk County Council is the administering body for the Norfolk Pension Fund. The main financial statements of the pension fund are included in the Statement of Accounts for the County Council. Consequently the Statements of Assurance cover both the County Council and the Pension Fund. Details of the Norfolk Pension Fund accounting statements are shown on pages 111 to 161. Copies of the full annual report for the pension fund are available from the Executive Director of Finance and Commercial Services, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Further information

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

Further information about the financial statements and accounts is available from the Executive Director of Finance and Commercial Services, Simon George, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Further information relating to this report can be found in the financial statements which follow, in Norfolk County Council's Budget Book 2017-20 https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/our-budget/our-budget and in the Norfolk Leader's Review of the Year 2016-17 at https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/councillors-meetings-and-elections/norfolk-leaders-annual-review.pdf.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Executive Director of Finance and Commercial Services's Responsibilities

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

In preparing this Statement of Accounts, the 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 at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Simon George
Executive Director of Finance and Commercial Services
Date: 21 September 2017

I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 21 September and has been re-signed as authorisation to issue.

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Date: 21 September 2017

Independent Auditors' Report to the Members of Norfolk County Council

The Opinion on the Authority and firefighters' pension fund financial statements will be added here once the audit is complete.

Single Entity Statements

Comprehensive Income and Expenditure Statement

	2015-16 Gross Expenditure restated £000s	2015-16 Gross Income restated £000s	2015-16 Net Expenditure restated £000s	2016-17 Gross Expenditure £000s	2016-17 Gross Income £000s	2016-17 Net Expenditure £000s
Continuing Services:						
Adult Social Services	375,597	116,614	258,983	381,128	110,827	270,301
Children's Services	597,929	419,014	178,915	591,744	396,026	195,718
Community and Environmental Services	243,595	80,735	162,860	270,354	105,102	165.252
Resources	46,940	16,525	30,415	41,695	10,959	30,736
Finance and Property	30,567	10,061	20,506	54,902	8,799	46,103
Finance General	7,210	8,912	(1,702)	13,960	9,350	4,610
Non Distributed Costs	(3,596)	0	(3,596)	(5,550)	0	(5,550)
Cost of Services	**1,298,242**	**651,861**	**646,381**	**1,348,233**	**641,063**	**707,170**
Other Operating Expenditure (Note 11)			87,985			112,661
Financing and Investment Income and Expenditure (Note 12)			64,046			60,466
Taxation and Non-Specific Grant Income (Note 13)			(724,060)			(804,974)
(Surplus) / Deficit on Provision of Services			**74,352**			**75,323**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(20,522)			(74,462)
Re-measurements of the net defined benefit liability			(261,472)			291,090
Other Comprehensive Income and Expenditure			**(281,994)**			**216,628**
Total Comprehensive Income and Expenditure			**(207,642)**			**291,951**

As stated in the Narrative Report on page 11, the Council is no longer required to report the cost of individual services in accordance with Service Reporting Code of Practice, as has been the requirement in previous years. Therefore, the service headings in the Net Cost of Services above are reported in line with the service structures reported to Council committees. The comparative figures for 2015-16 have been restated accordingly.

Movement in Reserves Statement

	General Fund Balance*	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2015	**127,329**	**3,254**	**90,964**	**221,547**	**(167,636)**	**53,911**
Movement in Reserves during 2015-16						
Total Comprehensive Expenditure and Income	(74,352)	0	0	(74,352)	281,994	207,642
Adjustments between accounting basis & funding basis under regulations (note 9)	69,383	(1,677)	1,756	69,462	(69,462)	**0**
Increase / (Decrease) in Year	**(4,969)**	**(1,677)**	**1,756**	**(4,890)**	**212,532**	**207,642**
Balance at 31 March 2016	**122,360**	**1,577**	**92,720**	**216,657**	**44,896**	**261,553**
Movement in Reserves during 2016-17						
Total Comprehensive Expenditure and Income	(75,323)	0	0	(75,323)	(216,628)	(291,951)
Adjustments between accounting basis & funding basis under regulations (note 9)	47,451	3,132	25,262	75,845	(75,845)	**0**
Increase / (Decrease) in Year	**(27,872)**	**3,132**	**25,262**	**522**	**(292,473)**	**(291,951)**
Balance at 31 March 2017	**94,488**	**4,709**	**117,982**	**217,179**	**(247,577)**	**(30,398)**

* Note that the General Fund comprises the Council's General balances together with earmarked reserves. Details of movements in these reserves are shown in Note 24 on page 61.

Balance Sheet

	Note	31 March 2016 £000s	31 March 2017 £000s
Property, Plant & Equipment	14	1,530,024	1,580,457
Heritage Assets	15	5,978	5,778
Investment Property	16	23,705	21,884
Intangible Assets		293	296
Long Term Investments	17	13,279	13,202
Long Term Debtors	18	21,996	66,960
Long Term Assets		**1,595,275**	**1,688,577**
Short Term Investments	17	125,876	104,632
Inventories		485	543
Short Term Debtors	18	109,881	114,156
Cash and Cash Equivalents	19	51,298	51,331
Assets Held for Sale	20	1,110	1,183
Current Assets		**288,650**	**271,845**
Short Term Borrowing	17	(12,305)	(14,197)
Other Short Term Liabilities	17	(2,295)	(1,783)
Short Term Creditors	21	(138,511)	(158,840)
Provisions	22	(6,101)	(6,250)
Current Liabilities		**(159,212)**	**(181,070)**
Provisions	22	(21,290)	(19,423)
Long Term Borrowing	17	(483,984)	(515,681)
Other Long Term Liabilities	17	(928,401)	(1,247,998)
Capital Grants Receipts in Advance	23	(29,485)	(26,648)
Long Term Liabilities		**(1,463,160)**	**(1,809,750)**
Net Assets		**261,553**	**(30,398)**
Usable Reserves	24	216,657	217,179
Unusable Reserves	25	44,896	(247,577)
Total Reserves		**261,553**	**(30,398)**

Cash Flow Statement

	31 March 2016 £000s	31 March 2017 £000s
Net (surplus) or deficit on the provision of services	**74,352**	**75,323**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(205,787)	(231,149)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	103,739	165,645
Net cash flows from Operating Activities (note i)	(27,696)	9,819
Investing Activities (note ii)	30,992	21,382
Financing Activities (note iii)	9,407	(31,234)
Net (increase) or decrease in cash and cash equivalents	**12,703**	**(33)**
Cash and cash equivalents at the start of the year	**64,001**	**51,298**
Cash and cash equivalents at the end of the year (note 19)	**51,298**	**51,331**

Notes to the Cash Flow Statement

i. Operating Activities

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

	2015-16 £000s	2016-17 £000s
Depreciation	(48,580)	(55,208)
Impairment and downward valuations	(282)	(23,647)
Increase/(decrease) in creditors	(11,669)	(8,683)
(Increase)/decrease in debtors	(9,214)	1,028
Movement in Pension Liability	(45,937)	(30,290)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(88,481)	(114,237)
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,624)	(112)
	(205,787)	**(231,149)**

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

	2015-16 £000s	2016-17 £000s
Interest received	(1,950)	(2,210)
Interest paid	32,526	32,026

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

	2015-16 £000s	2016-17 £000s
Capital grants credited to the deficit on the provision of services	101,768	184,043
Proceeds from the sale of property, plant and equipment	2,087	3,153
Proceeds from short term investments (not considered to be cash equivalents) and long term investments	(116)	(21,551)
	103,739	**165,645**

ii. Investing Activities

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

	2015-16 £000s	2016-17 £000s
Purchase of property, plant and equipment, investment property and intangible assets	110,042	157,297
Purchase of short term and long term investments	12,000	0
Other payments for investing activities	11,635	49,372
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,630)	(3,225)
Other receipts from investing activities	(100,055)	(182,062)
Net cash flows from investing activities	**30,992**	**21,382**

iii. Financing Activities

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

	2015-16 £000s	2016-17 £000s
Cash receipts of short term and long term borrowing	(111)	(40,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,749	2,295
Repayments of short term and long term borrowing	6,769	6,471
Net cash flows from financing activities	**9,407**	**(31,234)**

Notes to the Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the Local Government Act 2003.

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

1.2 Accounting Principles

Relevance

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

Reliability

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

Comparability

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

Understandability

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

Materiality

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

Accruals

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

Going Concern

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

1.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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

1.4 Cash and Cash Equivalents

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

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

1.5 Charges to Revenue for Non Current Assets

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

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

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

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

1.6 Contingent Liabilities

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

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

1.7 Council Tax Income and Business Rates

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

1.8 Employee Benefits

Benefits payable during employment

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Authority are members of 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

All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme 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 Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The employer contributions in the NHS Pension Scheme are charged to Public Health.

The Local Government Pension Scheme

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

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

(ii) Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bonds, as derived from a Corporate Bond yield curve constructed from yields on high quality bonds (constituents of the Iboxx Sterling Corporates AA). The discount rate recognises the weighted average duration of the benefit obligation as determined by the most recent actuarial valuation.

(iii) The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

  - Quoted securities – current bid price
  - Unquoted securities – professional estimate

- Unitised securities – current bid price
- Property – market value.

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

- Service Cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest expense – the change during the period in the defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the defined benefit liability – charges to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charges to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Fire Fighters Pension Scheme

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

Discretionary Benefits

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

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

1.9 Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

1.10 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 borrowings, PFI and finance lease liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority'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.

1.11 Financial Instruments

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available for Sale Assets

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

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

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

The inputs to the measurement techniques are categorised in accordance with note 1.10 Fair Value Measurement.

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

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

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

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

Instruments entered into before 1 April 2006

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

Instruments entered into before 8 November 2007

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

Financial Liabilities

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

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

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

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

1.12 Foreign currency translation

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

1.13 Government Grants and Other Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

1.14 Heritage Assets

Recognition

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

Apart from Heritage Assets previously accounted for as Community Assets, Heritage Assets acquired before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost effective basis. Assets meeting the above definition and obtained since 1 April 2010 are capitalised on the Balance Sheet under Heritage Assets.

Measurement

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

Subsequent to initial recognition and measurement, Heritage Assets will be revalued where appropriate.

Impairment

The carrying amounts of Heritage Assets will be reviewed where there is evidence of impairment and these will be accounted for in accordance to the Council's policy on Property, Plant and Equipment.

Depreciation

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

Disposals

Disposals of Heritage Assets will be treated in accordance with the general policies on Property, Plant and Equipment, and in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

1.15 Intangible Assets

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

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

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

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

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

1.16 Interests in Companies and Other Entities

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

1.17 Inventories and long term contracts

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

1.18 Investment Property

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

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

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

1.19 Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint venture or a joint operation.

a) Joint Venture

Joint ventures are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint venturers have rights to the net assets of the arrangement. A joint venturer recognizes its interest in a joint venture as an investment and, where material, consolidates the investment into its Group Accounts using the equity method.

b) Joint Operation

Joint operations are similar to joint ventures, in that they 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.

1.20 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.21 Overheads

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

1.22 Private Finance Initiative (PFI) Schemes

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

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Norwich Schools PFI 12.4%, Salt Barns PFI 44.34% and Street Lighting PFI 8.56%).
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

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

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

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

1.24 Property, Plant and Equipment

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

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e.

repairs and maintenance) is charged as an expense when it is incurred. The de minimis level for property, plant and equipment is £40,000.

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Componentisation

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and non current assets held for sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating

Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1.25 Provisions

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

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

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

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

1.26 Reserves

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

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

1.27 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.28 VAT

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

2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
The Adjustments between the funding and accounting basis are detailed more fully below the Analysis table.

	2016-17		
	Net Expenditure chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000s	**£000s**	**£000s**
Adult Social Services	258,774	11,527	270,301
Children's Services	160,976	34,742	195,718
Community and Environmental Services	125,342	39,910	165,252
Resources	22,940	7,796	30,736
Finance and Property	13,537	32,566	46,103
Finance General	(1,943)	6,553	4,610
Non Distributed Costs	0	(5,550)	(5,550)
Net Cost of Services	**579,626**	**127,544**	**707.170**
Other Income and Expenditure	(551,754)	(80,093)	(631,847)
(Surplus) or Deficit	**27,872**	**47,451**	**75,323**
Opening General Fund Balance at 31 March*	122,360		
Less deficit on General Fund	(27,872)		
Closing General Fund Balance at 31 March*	**94,488**		

	2015-16		
	Net Expenditure chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000s	**£000s**	**£000s**
Adult Social Services	243,232	15,751	258,983
Children's Services	147,002	31,913	178,915
Community and Environmental Services	126,804	36,056	162,860
Resources	24,436	5,979	30,415
Finance and Property	14,638	5,868	20,506
Finance General	(780)	(922)	(1,702)
Non Distributed Costs	0	(3,596)	(3,596)
Net Cost of Services	**555,332**	**91,049**	**646,381**
Other Income and Expenditure	(550,363)	(21,666)	(572,029)
(Surplus) or Deficit	**4,969**	**69,383**	**74,352**
Opening General Fund Balance at 31 March *	127,329		
Less deficit on General Fund	(4,969)		
Closing General Fund Balance at 31 March *	**122,360**		

* The General Fund Balance in the tables above represent the Council's General Balances together with total earmarked reserves as detailed in Note 10 on page 44.

Note to the Expenditure and Funding Analysis

	2016-17			
	Adjustments for Capital Purposes (Note 1) £000s	**Net change for the pensions adjustments (Note 2) £000s**	**Other Differences (Note 3) £000s**	**Total Adjustments £000s**
Adult Social Services	1,160	1,693	8,674	11,527
Children's Services	19,336	7,310	8,096	34,742
Community and Environmental Services	28,812	4,469	6,629	39,910
Resources	4,690	2,374	732	7,796
Finance and Property	31,722	845	(1)	32,566
Finance General	1,361	(11,726)	16,918	6,553
Non Distributed Costs	0	(5,550)	0	(5,550)
Net Cost of Services	**87,081**	**(585)**	**41,048**	**127,544**
Other Income and Expenditure from the Expenditure and Funding Analysis	(75,883)	30,875	(35,085)	(80,093)
Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services	**11,198**	**30,290**	**5,963**	**47,451**

	2015-16			
	Adjustments for Capital Purposes (Note 1) £000s	**Net change for the pensions adjustments (Note 2) £000s**	**Other Differences (Note 3) £000s**	**Total Adjustments £000s**
Adult Social Services	845	3,177	11,729	15,751
Children's Services	19,796	12,508	(391)	31,913
Community and Environmental Services	27,823	3,465	4,768	36,056
Resources	1,583	3,840	556	5,979
Finance and Property	4,598	1,270	0	5,868
Finance General	(4,763)	(10,024)	13,865	(922)
Non Distributed Costs	0	(3,596)	0	(3,596)
Net Cost of Services	**49,882**	**10,640**	**30,527**	**91,049**
Other Income and Expenditure from the Expenditure and Funding Analysis	(21,544)	35,297	(35,419)	(21,666)
Difference between General Fund surplus/deficit and CIES surplus/deficit on provision of services	**28,338**	**45,937**	**(4,892)**	**69,383**

Note 1: Adjustments for capital purposes adds in depreciation and impairment and revaluation gains and losses in service lines:

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

throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2: Net Change for Pensions Adjustments removes the pension contributions and adds the IAS19 employee benefits pension related expenditure and income.

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

Note 3: Other Differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General fund for the timing differences for premiums and discounts
- The charge under Taxation and Non-specific Grant income and expenditure represents 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.

Segmental Income

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

	2015-16 £000s	2016-17 £000s
Adult Social Services	52,733	50,130
Children's Services	30,160	34,209
Community and Environmental Services	24,523	23,482
Resources	12,340	6,027
Finance and Property	4,521	3,405
Finance General	1,055	637
Total income analysed on a segmental basis	**125,332**	**117,890**

3. Expenditure and Income analysed by Nature

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

	2015-16 £000s	2016-17 £000s
Expenditure		
Employee benefits expenses	492,633	482,870
Other Services expenses	781,024	801,971
Support Service recharges	45,544	49,165
Depreciation, amortisation, impairment	38,839	80,789
Interest payments	67,610	62,749
Precepts and levies	1,276	1,312
Gain/loss on disposal of assets	86,709	111,349
Total Expenditure	**1,513,635**	**1,590,205**
Income		
Fees, charges and other service income	(188,021)	(205,700)
Interest and investment income	(1,930)	(2,440)
Income from council tax and business rates	(457,678)	(478,980)
Government Grants and contributions	(791,654)	(827,762)
Total Income	**(1,439,283)**	**(1,514,882)**
Surplus or Deficit on the Provision of Services	**74,352**	**75,323**

4. Accounting Standards issued, not adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The 2017-18 Code has identified a very small number of minor changes, all in relation to pension fund accounting. If these had been adopted for the financial year 2016-17 there would be no material changes to the financial statements.

5. Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the three operational PFI agreements (Norwich Schools, Salt Barns and Street Lighting) and also to control the residual value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the operational assets (valued at £46.6m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- In line with the Code of Practice and IFRS10 the Council has considered schools as separate entities for control purposes. For those schools under the control of the Council, the expenditure, income assets, liabilities, reserves and cash flow for those schools are included in the Council's single entity accounts.

  Therefore, as detailed in Note 14 Property, Plant and Equipment the Council continues to recognise Community and Voluntary Controlled school assets, along with playing fields for VA schools, on the Balance Sheet for 2016-17, based on the assessment of the control of the economic benefits and service potential of these assets. Voluntary Aided schools (except playing fields), Foundation schools and Academies remain outside the Council's accounts.

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for the buildings would increase by £2.5m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension	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 £258.683m.

	fund assets. Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied.	However, the assumptions interact in complex ways. During 2016-17, the Council's actuaries advised that the net pension liability had increased by £291.090m.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, valuations are undertaken by NPS Property Consultants Limited). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 16 and 17 below.	To measure the fair value of some of its investment properties, surplus asset and assets held for sale, the Council uses a model based on yields chosen by comparison to comparable transactions adjusted to allow for factors such title constraints, known ground conditions, location, topography and physical constraints. The significant unobservable inputs used in the fair value measurement include management assumptions regarding 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.

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

7. Material Items of Income and Expense

During 2016-17, 40 schools transferred to Academy, Voluntary Aided and Foundation status. The assets relating to these schools have been removed from the Council's balance sheet. The value written off amounts to £111.304m and the net loss on disposal of these assets is the main reason for the total shown in note 11 to the accounts.

8. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director of Finance and Commercial Services on 21 September 2017. Events that occur after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, 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 2017 and 1 September 2017 24 schools, (listed below), with a net book value of £48.023m converted to academy status.

Astley Primary	Lionwood Junior School

Burnham Market Primary
Burston Primary
Emneth Primary
Foulsham Primary
Gaywood Primary
George White Middle School
Great Yarmouth High School
Gresham Village School and Nursery
Heather Avenue Infant School
Hemblington Primary
Lionwood Infant School
Long Stratton High School
Mattishall Primary
Reffley Community School
Rockland St Mary Primary
Seething and Mundham School
Spooner Row Primary School
Surlingham Primary
Thompson Primary
Thurlton Primary
Tivetshall Primary
Wells Next the Sea Primary and Nursery

All of the 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 2017-18 and will be treated as a disposal at nil consideration in the 2017-18 consolidated Income and Expenditure Statement.

EU Referendum

The Council's Investment Strategy for 2017-18, approved by full Council at its meeting on 20 February 2017 takes the same cautious approach as that of recent years and 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 40, and the current strategy will be under constant review.

Given the expected volatility in financial markets it is foreseen that there may be a risk to the valuation of the Council's defined benefit pension obligation. Details of factors influencing the value of the pension fund are given in Note 37. Despite the uncertainty in the aftermath of the vote, major investment market returns measured from 31 March and into the summer period have been positive and the Fund continues to be a diversified long term investor.

It is too early to estimate the extent of any impact on the financial statements, as there is likely to be significant ongoing uncertainty while the UK renegotiates its relationship with the EU and other nations. For the purposes of these financial statements, the EU Referendum result is considered to be a non-adjusting event.

9. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied Account

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

2016-17

	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)	30,290		
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	8		
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	974		
Holiday Pay (transferred to the Accumulated Absences Reserve)	2,964		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	26,378		54,336
Total Adjustment to Revenue Resources	**60,614**	**0**	**54,336**
Adjustments between Revenue and Capital Resources:			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,153)	3,153	
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)	83	(83)	
Statutory provision for the repayment of debt	(5,901)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(4,192)		
Total Adjustments between Revenue and Capital Resources	**(13,163)**	**3,070**	**0**
Adjustments to Capital Resources:			
Use of the Capital Receipts reserve to finance capital expenditure		0	
Long term debtor repayments in year		62	
Application of capital grants to finance capital expenditure			(29,074)
Total Adjustments to Capital Resources	**0**	**62**	**(29,074)**
Total Adjustments in 2016-17	**47,451**	**3,132**	**25,262**

2015-16

	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)	45,937		
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	16		

2015-16	Usable Reserves		
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account
	£000s	£000s	£000s
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	516		
Holiday Pay (transferred to the Accumulated Absences Reserve)	(5,405)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	49,801		22,542
Total Adjustment to Revenue Resources	**90,865**	**0**	**22,542**
Adjustments between Revenue and Capital Resources:			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,087)	2,087	
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	(15,173)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(4,288)		
Total Adjustments between Revenue and Capital Resources	**(21,482)**	**2,021**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts reserve to finance capital expenditure		(3,754)	
Long term debtor repayments in year		56	
Application of capital grants to finance capital expenditure			(20,786)
Total Adjustments to Capital Resources	**0**	**(3,698)**	**(20,786)**
Total Adjustments in 2015-16	**69,383**	**(1,677)**	**1,756**

10. Transfers to/from earmarked reserves

The table shows each of the Council's earmarked reserve accounts where the balance is in excess of £0.5m either on 31 March 2016 or 31 March 2017. Descriptions of each of these earmarked reserves follow the table.

	Balance at 31 March 2015	Transfers in 2015-16	Transfers out 2015-16	Balance at 31 March 2016	Transfers in 2016-17	Transfers out 2016-17	Balance at 31 March 2017
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LMS Balances	22,545	23,877	(25,088)	21,334	18,400	(25,780)	13,954
Building Maintenance	4,472	1,651	(2,576)	3,547	2,301	(617)	5,231
Business Risk Reserve	0	10,678	0	10,678	4,911	(10,678)	4,911
Children's Services Equalisation	655	101	0	756	0	(655)	101

	Balance at 31 March 2015	Transfers in 2015-16	Transfers out 2015-16	Balance at 31 March 2016	Transfers in 2016-17	Transfers out 2016-17	Balance at 31 March 2017
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Economic Development and Tourism	3,548	1,358	(2,079)	2,827	348	(622)	2,553
Fire Operational Equipment	573	343	(358)	558	4	(221)	341
Highways Maintenance	5,220	2,541	(1,890)	5,871	1,004	(1,355)	5,520
Information Technology	8,021	448	(2,613)	5,856	436	(2,338)	3,954
Insurance Reserve	2,027	2,062	(1,006)	3,083	2,853	(2,556)	3,380
Norfolk Infrastructure Fund	424	958	(278)	1,104	885	(278)	1,711
Norwich Schools PFI Sinking Fund	2,117	232	0	2,349	69	0	2,418
Organisational Change and Redundancy Reserve	7,285	782	(1,223)	6,844	411	(1,306)	5,949
Repairs and Renewals Fund	3,776	886	(1,212)	3,450	1,226	(639)	4,037
Schools Contingency	10,189	222	(4,864)	5,547	683	(6,230)	0
Schools Non-Teaching Activities	1,355	1,030	(1,452)	933	810	(1,010)	733
Schools Sickness Insurance	1,154	119	0	1,273	102	(1,273)	102
Strategic Ambitions Reserve	1,098	0	(127)	971	2	(378)	595
Street Lighting PFI Sinking Fund	7,298	3,467	(3,820)	6,945	3,231	(4,854)	5,322
Unspent Grants and Contributions	18,071	3,887	(7,438)	14,520	3,913	(8,069)	10,364
Waste Management Partnership	722	401	(65)	1,058	0	(108)	950
Other earmarked reserves	7,779	5,358	(9,533)	3,604	515	(1,058)	3,061
TOTAL	**108,329**	**60,401**	**(65,622)**	**103,108**	**42,104**	**(70,025)**	**75,187**

Details of earmarked reserves:

LMS Balances

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

Business Risk Reserve

A new Business Risk reserve, funded from a change in MRP policy, was set up as part of the Council's 2016-17 budget planning. This reserve will be used to manage key funding risks, particularly in Adults' and Children's Social Care budgets.

Building Maintenance

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

Children Service's Equalisation

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

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.

Fire Operational Equipment Reserve

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

Highways Maintenance

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

Information Technology

Monies are set aside for specific IT projects.

Insurance Reserve

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

Norfolk Infrastructure Fund

This reserve is to support infrastructure projects across the county.

Norwich Schools PFI Sinking Fund

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

Organisational Change and Redundancy Reserve

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

Repairs and Renewals Fund

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

Schools Contingency

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

Schools Non-Teaching Activities

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

Schools Sickness Insurance

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

Strategic Ambitions Reserve

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

Street Lighting PFI Sinking Fund

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

Unspent Grants and Contributions Reserve

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

Waste Management Partnership

This reserve is for waste management initiatives.

Other Earmarked Reserves

These mainly comprise various reserves held in respect of initiatives commenced in previous years for which remaining planned financial provision will be utilised in 2017-18 or future years as initiatives are completed. All balances on these reserves as at 31 March 2016 and 31 March 2017 are below £0.5m.

11. Other Operating Expenditure

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

	2015-16 £000s	2016-17 £000s
Environment Agency precept	740	776
Eastern Sea Fisheries precept	536	536
(Gains)/losses on disposal of non current assets	86,709	111,349
Total	**87,985**	**112,661**

12. Financing and Investment Income and Expenditure

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

	2015-16 £000s	2016-17 £000s
Interest payable and similar charges	32,592	32,086
Net interest cost on the net defined benefit liability	34,964	30,608
Interest receivable and similar income	(1,930)	(2,440)
Income and expenditure in relation to investment properties and / or changes in their fair value (note 16)	(487)	1,368
Dividend Income	(923)	(762)
Gains on trading accounts not included in the cost of services (note 26)	(170)	(394)
Total	**64,046**	**60,466**

13. Taxation and Non-Specific Grant Income

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

	2015-16 £000s	2016-17 £000s
Council tax income	317,466	336,917
Non domestic rates	140,212	142,063
Non ring fenced government grants	172,216	141,950
Capital grants, contributions and donated assets	94,166	184,044
Total	**724,060**	**804,974**

14. Property, Plant and Equipment

Movements in 2016-17 on Council assets are as follows.

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure assets £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
Cost or Valuation								
At 1 April 2016	800,533	58,309	912,713	0	87,139	15,514	1,874,208	50,702
Additions	10,433	5,202	45,093	0	106,120	2,069	168,917	1,223
Revaluation increases/(decreases):								
- to Revaluation reserve	59,428	0	0	1	0	3,000	62,429	548
- to surplus or deficit on provision of services	(9,976)	0	0	0	0	(1,094)	(11,070)	(432)
Derecognition - disposals	(114,566)	(9,034)	0	0	0	(6)	(123,606)	0
Derecognition - other	0	0	(1,224)	0	0	0	(1,224)	0
Assets reclassified (to)/from Assets Held for Sale	(25)	0	0	(1)	0	(2,549)	(2,575)	0
Reclassifications and transfers	40,515	2,558	6,061	13	(54,478)	3,596	(1,735)	0
At 31 March 2017	**786,342**	**57,035**	**962,643**	**13**	**138,781**	**20,530**	**1,965,344**	**52,041**
Accumulated Depreciation and Impairment								
At 1 April 2016	66,011	35,356	233,569	0	0	9,248	344,184	4,126
Depreciation charge	25,012	5,927	24,255	0	0	14	55,208	1,147
Depreciation written out to Revaluation reserve	(8,923)	0	0	0	0	(3)	(8,926)	(56)
Depreciation written out on revaluation to surplus or deficit on provision of services	(23,871)	0	0	0	0	(8)	(23,879)	(227)
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	145	0	0	0	0	0	145	(9)
- the surplus or deficit on provision of services	29,386	0	0	0	0	2,069	31,455	(28)
Derecognition - disposals	(4,068)	(8,008)	0	0	0	0	(12,076)	0
Derecognition - other	0	0	(1,223)	0	0	0	(1,223)	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	0	0	0
Reclassifications and transfers	(10)	0	0	0	0	9	(1)	0
At 31 March 2017	**83,682**	**33,275**	**256,601**	**0**	**0**	**11,329**	**384,887**	**4,953**
Net Book Value:								
At 31 March 2017	**702,660**	**23,760**	**706,042**	**13**	**138,781**	**9,201**	**1,580,457**	**47,088**
At 31 March 2016	734,522	22,953	679,144	0	87,139	6,266	1,530,024	46,576

Movements in 2015-16 on Council assets:

Cost or Valuation	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s Restated	PFI Assets included in Property, Plant and Equipment £000s
At 1 April 2015	795,591	70,950	832,852	1	127,204	19,876	1,846,474	50,202
Additions	5,342	2,781	50,375	0	49,778	0	108,276	0
Revaluation increases/(decreases):								
- to Revaluation reserve	14,730	0	0	0	0	3,197	17,927	(578)
- to surplus or deficit on provision of services	2,222	0	0	0	0	(2,143)	79	1,010
Derecognition - disposals	(88,116)	(15,455)		(1)	(20)	(202)	(103,794)	0
Assets reclassified (to)/from Assets Held for Sale	52	0	0	0	0	(1,266)	(1,214)	0
Reclassifications and transfers	70,712	33	29,486	0	(89,823)	(3,948)	6,460	68
At 31 March 2016	**800,533**	**58,309**	**912,713**	**0**	**87,139**	**15,514**	**1,874,208**	**50,702**
Accumulated Depreciation and Impairment								
At 1 April 2015	56,209	42,748	211,156	0	0	9,651	319,764	3,401
Depreciation charge	18,679	7,384	22,438	0	0	80	48,581	1,073
Depreciation written out to Revaluation reserve	(2,330)	0	0	0	0	(48)	(2,378)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,646)	0	0	0	0	(219)	(6,865)	(416)
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	126	0	0	0	0	0	126	0
- the surplus or deficit on provision of services	1,867	0	0	0	0	0	1,867	57
Derecognition - disposals	(2,121)	(14,777)	0	0	0	(13)	(16,911)	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	0	0	0
Reclassifications and transfers	227	1	(25)	0	0	(203)	0	11
At 31 March 2016	**66,011**	**35,356**	**233,569**	**0**	**0**	**9,248**	**344,184**	**4,126**
Net Book Value:								
At 31 March 2016	**734,522**	**22,953**	**679,144**	**0**	**87,139**	**6,266**	**1,530,024**	**46,576**
At 31 March 2015	739,382	28,202	621,696	1	127,204	10,225	1,526,710	46,801

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. No depreciation is charged on land and other assets are being depreciated over their useful economic lives, or in the case of assets acquired under finance leases, over the period of the lease using the straight line method. The Council owns some listed buildings which have been allocated useful lives up to 99 years.

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

Buildings	5 - 60 years
Vehicles, plant, furniture and equipment	3 - 20 years
Infrastructure	15 - 40 years

Depreciation for assets acquired or disposed of during the year is calculated on a pro rata basis from the date of acquisition or disposal. This charge is for accounting purposes only and has no implications for the County Council's Council Tax. The total depreciation charged to services for the year was £55.208m (£48.581m in 2015-16).

Capital commitments

The Council's forward capital programme as at 31 March 2017 totals £384.308m for the years 2017-18 to 2019-20 and beyond. Of this total £323.078m relates to the estimated future payments on schemes started before 31 March 2017, with the total of new schemes totalling £61.229m.

In comparison, the revised programme in 2015-16 totalled £497.616m for the years 2016-17 to 2018-19 and beyond. Of this total, £448.135m related to the estimated future payments on schemes started before 31 March 2016.

At 31 March 2017, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2017-18 and future years on schemes listed in the table below. Similar commitments at 31 March 2016 were £51.457m.

The major commitments are:

Service/Scheme	**Contract Completion**	**£000s**
Children's Services schools projects		
Attleborough New School	2017-18	9,481
Suffield Park	2017-18	2,674
Drake Infant	2017-18	1,340
Ashleigh Primary	2017-18	3,644
Northgate Primary	2017-18	1,967
East Harling Primary	2017-18	1,100
Chapel Road Complex Needs	2017-18	9,884
Astley Primary	2017-18	1,000
Social Care		
Social Care information system implementation	2018-19	7,150
Finance and Commercial Services		
Better Broadband for Norfolk	2019-20	25,451
		63,691

In addition to the above, the Council has three major on-going contract arrangements for highways maintenance and construction, highways design and professional services, and traffic signals maintenance and improvement. The Council also uses a number of contracts frameworks for the delivery of highways schemes.

The total Highways capital budget for 2017-20 at 31 March 2017 was £110.8m, including £61.6m in respect of the Northern Distributor Road which continued under construction throughout 2016-17.

Revaluations

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

The significant assumptions applied in estimating the fair values are:

- Property, Plant and Equipment

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

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

  Surplus property, plant and equipment have been valued at existing use value, with the use being defined as the property's last operational use
- Infrastructure Assets, Community Assets and Assets under Construction have been valued at historic cost rather than fair value.
- Leases

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

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

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

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

Valued at:	Land and Buildings	Vehicles, plant and equipment	Infrastructure Assets	Community Assets	Surplus assets
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Carried at Historical Cost		23,760	706,042	13	
Valued at current value in:					
2016-17	478,575				3,947
2015-16	48,476				5,254
2014-15	26,930				
2013-14	105,048				
2012-13	43,631				
Total	**702,660**	**23,760**	**706,042**	**13**	**9,201**

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

- Fair value hierarchy – Surplus Assets

Of the Council's Surplus Assets at 31 March 2017 assets valued at £4.903m been assessed as Level 3 for valuation purposes, with the remainder assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 16 below.

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

	Surplus Assets
Opening balance	4,559
Transfers to/from assets held for sale	(200)
Transfers into Level 3	2
Transfers out of Level 3	(470)
Revaluation gains - revaluation reserve	725
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(10)
Additions	297
Closing Balance	**4,903**

Recognition of school assets

The Council has continued to recognise community and voluntary controlled (VC) schools alongside the playing fields of voluntary aided (VA) schools on the balance sheet for 2016-17, based on an assessment of the control of the economic benefits and service potential of these assets.

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

15. Heritage Assets

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

	Windmills and Windpumps £000s	Other Heritage Assets £000s	Total Assets £000s
Cost or valuation			
1 April 2016	5,144	834	5,978
Disposals	0	(200)	(200)
At 31 March 2017	**5,144**	**634**	**5,778**

	£000s	£000s	£000s
Cost or valuation			
1 April 2016	4,937	834	5,771
Revaluations	207	0	207
At 31 March 2016	**5,144**	**834**	**5,978**

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

(i) Windmills and Windpumps

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

Due to the unique nature of the windmills and windpumps, valuations for the purposes of the statement of accounts are based on insurance schedules for the assets. The carrying amounts are reviewed annually against the insurance schedules for these items and where there is a movement in the valuation, this is treated in accordance with the general policies on revaluation and impairment of assets set out in section 1.

The disposal shown above relates to the surrender of a lease on one windmill.

(ii) Other Heritage Assets

- Museums Collections

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

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

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

- Document and Archive Collections

  The Norfolk Record Office (NRO) collects and preserves unique archives relating to the history of Norfolk including the Norfolk Sound Archive. The NRO is a joint service of the County and District Councils of Norfolk and is based in a purpose-built Archive Centre in Norwich. Other documents of historic interest are preserved in the authority's libraries. Apart from a small number of items that have been acquired since 1

April 2010, and therefore have a recorded value, the Council does not recognise this collection of Heritage Assets on the Balance Sheet.

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

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

- Sundry Other Heritage Assets

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

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

16. Investment Properties

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

	2015-16 £000s	2016-17 £000s
Rental income from investment property	(487)	(464)
Direct operating expenses arising from investment property	0	0
(Gains)/Losses on changes in fair value	0	1,832
Net gain/(loss)	**(487)**	**1,368**

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

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

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

	2015-16 £000s	2016-17 £000s
Balance at the start of the year	**28,621**	**23,705**
Additions	0	0
Disposals	(104)	0
Net gains/(losses) from fair value investments	4,770	(1,832)
Transfers (to)/from Property, plant and equipment	(9,582)	0
Other changes	0	11
Balance at the end of the year	**23,705**	**21,884**

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

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 and Level 3 for valuation purposes (see Note 1.10 for explanation of fair value levels).

	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair value 31 March 2017
	£000s	**£000s**	**£000s**
Industrial estate	1,968	9,821	11,789
Agricultural land with development potential	0	10,095	10,095
	1,968	**19,916**	**21,884**

Of the net losses from fair value investments in 2016-17, £1.146m relates to fair value measurements categorised within Level 3 of the fair value hierarchy.

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

	Industrial estate	Agricultural land with development potential	Total 2017
	£000s	**£000s**	**£000s**
Opening balance	10,678	10,085	20,763
Transfers into Level 3 from level 2	289	0	289
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(1,146)	10	(1,136)
Closing Balance	**9,821**	**10,095**	**19,916**

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

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

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

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

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

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

Highest and best use of Investment Properties

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

Valuers

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

17. Financial Instruments

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

	Long Term		Current	
	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s
Investments:				
Loans and receivables	77	0	125,876	104,632
Available for sale financial assets	1,238	1,238	0	0
Total included in Investments	**1,315**	**1,238**	**125,876**	**104,632**
Debtors:				
Financial assets carried at contract amounts (excludes statutory debtors)	19,699	65,594	65,995	68,310
Soft Loans	2,297	1,366	581	324
Total included in Debtors	**21,996**	**66,960**	**66,576**	**68,634**
Cash and cash equivalents:				
Cash and cash equivalents	0	0	51,298	51,331
Total included in Cash and cash equivalents	**0**	**0**	**51,298**	**51,331**
Borrowings:				
Financial liabilities at amortised cost	483,984	515,681	12,305	14.197
Total included in Borrowings	**483,984**	**515,681**	**12,305**	**14,197**
Other Short/Long Term Liabilities:				
PFI liabilities	54,201	53,349	750	853
Finance lease liabilities	3,152	2,223	1,545	930
Total included in Other Short/Long Term Liabilities	**57,353**	**55,572**	**2,295**	**1,783**
Creditors:				
Financial assets carried at contract amounts (excludes statutory creditors)	0	0	104,873	123,562
Total included in Creditors	**0**	**0**	**104,873**	**123,562**

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

The loans and receivables total includes £126,000 which is the carrying value for the investment balances with Kaupthing Singer and Friedlander. Based on the current information and advice available, it is anticipated that all of the impaired total will be received during 2017-18 and this has been included in short term investments.

The available for sale assets are the Council's investments in Norwich Airport (£1.236m) and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657 (£0.002m). Available for sale assets in the table above specifically excludes the Council's investment of £11.964m in Norse Group Ltd as the company is included in the Council's Group Accounts. None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

The soft loans represent the total of deferred payment agreements made prior to 1 April 2015 where residential care clients exercised their option to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value shown includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%). 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 will not be soft loans.

The Council makes loans for car purchase to 102 employees in the authority who are in posts that require them to drive regularly on the Council's business. Interest is charged on the loans at 1.5% (equates to 3% APR) but the Council assesses that an unsubsidised rate for such loans would have been 5.25%.

Income, Expense, Gains and Losses

	2015-16 Financial Liabilities measured at amortised cost £000s	2015-16 Financial Assets: Fair value through the I&E £000s	2015-16 Total £000s	2016-17 Financial Liabilities measured at amortised cost £000s	2016-17 Financial Assets: Fair value through the I&E £000s	2016-17 Total £000s
Interest expense	32,385	0	32,385	32,141	0	32,141
Impairment on (Icelandic Bank)	262	0	262	0	0	0
Discount received on debt restructuring	0	(55)	(55)	0	(55)	(55)
Total expense in Surplus/Deficit on the Provision of Services	32,647	(55)	32,592	32,141	(55)	32,086
Interest Income	0	(1,930)	(1,930)	0	(2,440)	(2,440)
Total income in Surplus/Deficit on the Provision of Services	0	(1,930)	(1,930)	0	(2,440)	(2,440)
Net gain/(loss) for the year	**32,647**	**(1,985)**	**30,662**	**32,141**	**(2,495)**	**29,646**

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

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These valuations are all classified as Level 2, where market prices are not available, with valuation techniques using inputs based significantly on observable market data. The following assumptions should be noted:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Available for sale assets are the Council's investment in Norwich Airport and the Airport Legislator companies and are shown at cost in line with the Council's accounting policy. This is taken to be an approximation of fair value.

The fair values calculated are as follows:

Financial Liabilities	31 March 2016 Carrying amount £000s	31 March 2016 Fair value £000s	31 March 2017 Carrying amount £000s	31 March 2017 Fair value £000s
PWLB debt	444,998	700,313	484,514	788,044
Non PWLB debt	51,291	72,455	43,098	72,295
PFI and finance lease liabilities	59,648	162,864	57,355	198,906
Short term creditors	104,873	104,873	123,562	123,562
Total	660,810	1,040,505	708,529	1,182,807

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

The fair value of PWLB loans of £788.044m measures the economic effect of the terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

Financial Assets	**31 March 2016**		**31 March 2017**	
Loans and receivables:	**Carrying amount £000s**	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
Investments	125,953	125,953	104,632	104,632
Available for sale - Norwich Airport shares	1,238	1,238	1,238	1,238
Cash and cash equivalents	51,298	51,298	51,331	51,331
Long term debtors	21,996	21,996	66,960	66,960
Short term debtors	66,576	66,576	68,637	68,637
Total	**267,061**	**267,061**	**292,798**	**292,798**

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

18. 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 other local authorities total includes the adjustment for the Council's share of collection fund arrears and bad debt provision, as advised by the District Councils, in relation to the collection of council tax and business rates. The total for other entities and individuals includes employee car loans and an adjustment for impairment (allowance for bad/doubtful debts).

	Long Term Debtors		**Short Term Debtors**	
	31 March 2016 £000s	**31 March 2017 £000s**	**31 March 2016 £000s**	**31 March 2017 £000s**
Central Government bodies	0	0	9,482	9,916
Public Corporations	0	0	0	42
Other local authorities	0	0	24,914	26,427
NHS bodies	0	0	12,649	13,370
Prepayments	0	0	15,480	15,101
Trade debtors, other entities and individuals	21,996	66,960	47,356	49,300
	21,996	**66,960**	**109,881**	**114,156**

19. Cash and Cash Equivalents

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

	31 March 2016 £000s	**31 March 2017 £000s**
Cash and Bank balances	(731)	(6,952)
Short term deposits with the Money Market	52,029	58,283
	51,298	**51,331**

20. Assets Held for Sale

Current Assets	2015-16 £000s	2016-17 £000s
Balance outstanding at start of year	**1,390**	**1,110**
Assets newly classified as held for sale:		
Property plant and equipment	1,266	0
Assets declassified as held for sale:		
Property plant and equipment	(53)	2,575
Assets sold	(1,493)	(2,501)
Other Movements	0	(1)
Balance outstanding at year end	**1,110**	**1,183**

Fair value hierarchy

Of the Council's assets held for sale at 31 March 2017 one asset, valued at £0.200m and transferred from Surplus assets during the year has been assessed as Level 3 for valuation purposes. All other assets held for sale, and all those held at 31 March 2016 have been assessed as Level 2. The valuation levels are as set out for Investment Properties as described in note 16 above.

21. Creditors

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

	Short Term Creditors	
	31 March 2016 £000s	**31 March 2017 £000s**
Central Government bodies	13,205	12,828
Other local authorities	13,865	14,188
NHS bodies	6,677	3,114
Public Corporations and Trading Funds	0	42
Receipts in advance	2,191	2,644
Trade creditors, service providers, other entities and individuals	102,573	126,024
	138,511	**158,840**

22. Provisions

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

	Insurance £000s	Landfill Provision £000s	Redundancy £000s	Other Provisions £000s	Total £000s
Balance at the start of the year	12,845	9,072	404	5,070	27,391
Additional provisions made in 2016-17	1,437	2,537	151	684	4,809
Amounts used in 2016-17	(3,617)	(536)	(360)	(1,184)	(5,697)
Amounts reversed to revenue	0	0	(44)	(786)	(830)
Balance at the end of the year	**10,665**	**11,073**	**151**	**3,784**	**25,673**
Consists of:					
Current Provisions	3,000	0	151	3,099	6,250
Long Term Provisions	7,665	11,073	0	685	19,423
Total	**10,665**	**11,073**	**151**	**3,784**	**25,673**

Insurance

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

Landfill

This provision represents the discounted cost of making adequate provision for the monitoring and maintenance of closed landfill sites in accordance with guidance issued by the Environment Agency for fulfilling obligations under the Landfill Directive. The provision was first recognised in the financial statements in 2012-13, balanced by an addition to Surplus Assets within Property, Plant and Equipment. An addition to the provision was made in 2016-17 in respect of a more recently closed site.

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 the potential pension liability arising from the transfer of staff to the Norfolk and Waveney Mental Health NHS Foundation Trust; 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.

23. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016-17. The table shows details of grants credited to Services where the balance is in excess of £200,000 in both 2015-16 and 2016-17.

	2015-16 £000s restated	**2016-17 £000s**
Credited to Taxation and non Specific Grant Income:		
General Government Grants:		
Department for Communities and Local Government	157,190	132,729
Department for Education	4,900	4,839
Department for Transport	3,066	3,066
Department of Health	7,010	933
Home Office	50	383
Total General Government Grants	**172,216**	**141,950**
Capital Grants and Contributions:		
Department for Education	20,772	31,133
Department for Transport	51,978	81,366
Other Local Authorities	3,773	48,259
New Anglia Local Enterprise Partnership	0	14,312
Developer Contributions	12,703	6,563
Department of Health	2,346	596
East of England Development Agency	1,523	0
Grants and Contributions less than £200,000	1,071	1,815
Total Capital Grants and Contributions	**94,166**	**184,044**
Credited to Services:		
Adult Social Services:		
NHS Clinical Commissioning Groups	48,036	38,658
Other Local Authorities	1,032	813
NHS Foundation Trusts	762	802
Children's Services:		
Department for Education	396,774	369,257
Young Person Learning Agency	5,812	4,371

Department for Communities and Local Government	2,222	2,501
Grants & Contributions raised directly by schools	2,060	1,728
Arts Council /Federation of Music Services	1,086	1,079
NHS Primary Care Trusts/Clinical Commissioning Groups	435	651
Other Local Authorities	308	239
Community and Environmental Services:		
Department of Health (Public Health)	35,163	41,106
Department for Media, Culture & Sport	3,043	5,475
Skills Funding Agency	4,262	3,989
Department for Transport	2,028	3,267
NHS England (Public Health)	2,418	2,343
Arts Council	1,703	1,833
Department of Business, Innovation and Skills	0	1,547
EU Funding	1,085	1,471
Developer Contributions	1,241	1,200
Sport England Lottery	778	958
Other Local Authorities	0	411
Rural Payments Agency	0	206
Norfolk Parking Partnership	0	200
Education Funding Agency	376	0
English Heritage	204	0
Grants and Contributions less than £200,000	4,389	3,258
Total Grants and Contributions recognised in net Cost of Services	**515,217**	**487,363**

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

	2015-16 £000s	2016-17 £000s
Included in Current Liabilities:		
Conditional Revenue Grants & Contributions:		
Department for Education	1,186	1,131
Department for Communities and Local Government	158	15
Department for Transport	1,311	589
NHS Clinical Commissioning Groups	315	202
Department for Media, Culture and Sport	701	701
Skills Funding Agency	0	458
Other Revenue Grants & Contributions	285	68
Total Conditional Revenue Grants & Contributions	**3,956**	**3,164**
Included in Long Term Liabilities:		
Capital Grants Receipts in Advance:		
Developer Contributions	16,992	19,424
Department for Education	7,587	3,295
New Anglia Local Enterprise Partnership	0	2,313
Contributions from Diocese	885	911
Other Local Authorities	1,280	455
Department for Transport	963	160
Department of Health	596	0
East of England Development Agency	302	0
School Contributions	757	0
Other smaller Capital Grants & Contributions	123	90
Total Capital Grants Receipts in Advance	**29,485**	**26,648**

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 9 and 10.

25. Unusable Reserves

	31 March 2016 £000s	31 March 2017 £000s
Revaluation Reserve	197,036	229,814
Capital Adjustment Account	720,549	720,624
Financial Instruments Adjustment Account	(2,760)	(2,768)
Collection Fund Adjustment Account	8,308	7,334
Pensions Reserve	(871,046)	(1,192,426)
Accumulated Absences Account	(7,191)	(10,155)
	44,896	**(247,577)**

Revaluation Reserve

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

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

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

	2015-16 £000s	2016-17 £000s
Balance at 1 April	**186,390**	**197,036**
Upward revaluation of assets	29,567	96,664
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(9,050)	(25,454)
(Surplus) or deficit on revaluation of non current assets not posted to the Comprehensive Income and Expenditure Statement	20,517	71,210
Difference between fair value depreciation and historical cost depreciation	(2,254)	(6,427)
Accumulated gains on assets sold or scrapped	(7,617)	(32,005)
Amount written off to the Capital Adjustment Account	(9,871)	(38,432)
Balance at 31 March	**197,036**	**229,814**

Capital Adjustment Account

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

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

Note 9 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015-16 £000s	2016-17 £000s
Balance at 1 April	**739,071**	**720,549**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non current assets	(52,730)	(91,663)
• Revaluation gains/(losses) on property, plant and equipment	6,944	12,808
• Movement in the fair value of investment properties	4,770	(1,832)
• Amortisation of intangible assets	(105)	(103)
• Revenue expenditure funded from capital under statute	(21,915)	(27,306)
• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note 11)	(88,481)	(114,237)
	(151,517)	(222,333)
Adjusting amounts written out of the Revaluation Reserve	9,871	38,432
Net written out amount of the cost of non current assets consumed in the year	(141,646)	(183,901)
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	3,754	0
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	79,174	141,619
• Application of grants to capital financing from the Capital Grants Unapplied Account	20,786	29,074
• Statutory provision for the financing of capital investment charged against the General Fund	15,117	5,839
• Capital expenditure charged against the General Fund	4,288	4,192
	123,119	180,724
Other Adjustments	5	3,252
Balance at 31 March	**720,549**	**720,624**

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the discount is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is ten years from the date of repayment, which was May 2009. As a result the balance on the Account at 31 March 2017 will be charged to the General Fund on a straight line basis until May 2019.

	2015-16 £000s	2016-17 £000s
Balance at 1 April	**(2,744)**	**(2,760)**
Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(55)	(55)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	39	47
Balance at 31 March	**(2,760)**	**(2,768)**

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 Council's Collection Funds.

	2015-16 £000s	2016-17 £000s
Balance at 1 April	**8,824**	**8,308**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(516)	(974)
Balance at 31 March	**8,308**	**7,334**

Pensions Reserve

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

	2015-16 £000s	2016-17 £000s
Balance at 1 April	**(1,086,581)**	**(871,046)**
Remeasurements of the defined benefit liability/(asset)	261,472	(291,090)
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	(109,927)	(91,558)
Employers pensions contributions and direct payments to pensioners payable in the year	63,990	61,268
Balance at 31 March	**(871,046)**	**(1,192,426)**

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.

	2015-16 £000s	2016-17 £000s
Balance at 1 April	**(12,596)**	**(7,191)**
Settlement or cancellation of accrual made at the end of the preceding year	12,596	7,191
Amounts accrued at the end of the current year	(7,191)	(10,155)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5,405	(2,964)
Balance at 31 March	**(7,191)**	**(10,155)**

26. Trading Operations

The Council has established a number of trading operations where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

The Council has two trading units with a turnover greater than £1.5m in 2016-17.

a) Legal Services which advises on the legal aspects of all the County Council's work and provides legal representation to the County Council in a range of Courts and Tribunals. The unit also provides a legal service to a small number of outside bodies. Turnover for Legal Services in 2016-17 was £4.717m (£6.177m in 2015-16) and the net surplus was £0.285m (£0.170m in 2015-16).

b) Educator Solutions began operating on 1 April 2016. A not-for-profit enterprise, Educator Solutions employ over 350 staff who deliver a breadth of services to educational establishments across Norfolk and beyond. These services include leadership and governance, improved teaching skills and techniques, financial management and HR and a range of inspirational learning environments. Turnover in 2016-17 was £10.488m and the net surplus was £0.185m.

27. Agency Services

The County Council administers money on behalf of the Clinical Commissioning Groups (formerly Primary Care Trusts) under Section 28 agreements. For 2016-17 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £12.359m (£9.877m in 2015-16).

28. Joint Arrangements

- Pooled Funds

For 2016-17, Norfolk County Council was a partner in two pooled funds.

a) The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. Parties to the fund only contribute a nominal sum to it and the County Council now receives funding directly from Central Government as part of the formula funding. Income and expenditure for 2016-17 are nil (nil in 2015-16).

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

Norfolk Pharmaceutical and Medicines Management Pooled Fund	2015-16 £000s	2016-17 £000s
Gross Income	(329)	(429)
Expenditure	322	342
(Surplus)/Deficit	**(7)**	**(87)**
Council's Contribution	24	20

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

- **Better Care Fund**

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

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

For each service included within the Section 75 agreements either the Council or a CCG is solely responsible for delivery. Entries in the County Councils financial system relate only to the share of the pool that is controlled by the Council. The County Council does not contribute to the revenue funding of the pool. The table below reflects funding and spend across all of the partners in 2016 – 2017.

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

The contributions and expenses of the Pools for 2016-17 are as follows:

2016-17	**Great Yarmouth and Waveney CCG**	**North Norfolk CCG**	**Norwich CCG**	**South Norfolk CCG**	**West Norfolk CCG**	**Norfolk BCF Capital Pool**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Income:							
Great Yarmouth and Waveney CCG	(3,584)						(3,584)
North Norfolk CCG		(4,639)					(4,639)
Norwich CCG			(5,274)				(5,274)
South Norfolk CCG				(5,884)			(5,884)
West Norfolk CCG					(5,341)		(5,341)
	(3,584)	(4,639)	(5,274)	(5,884)	(5,341)	0	(24,722)
Norfolk County Council	(3,314)	(5,556)	(6,270)	(7,439)	(5,658)		(28,237)
Capital Grants						(6,368)	(6,368)
Total Income	(6,898)	(10,195)	(11,544)	(13,323)	(10,999)	(6,368)	(59,327)
Expenditure							
Great Yarmouth and Waveney CCG	3,584						3,584
North Norfolk CCG		4,639					4,639
Norwich CCG			5,274				5,274
South Norfolk CCG				5,884			5,884
West Norfolk CCG					5,341		5,341
	3,584	4,639	5,274	5,884	5,341	0	24,722
Norfolk County Council	3,314	5,556	6,270	7,439	5,658	6,368	34,605
Total Expenditure	6,898	10,195	11,544	13,323	10,999	6,368	59,327
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**

2015-16

	Great Yarmouth and Waveney CCG	North Norfolk CCG	Norwich CCG	South Norfolk CCG	West Norfolk CCG	Norfolk BCF Capital Pool	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Income:							
Great Yarmouth and Waveney CCG	(6,144)						(6,144)
North Norfolk CCG		(9,266)					(9,266)
Norwich CCG			(10,406)				(10,406)
South Norfolk CCG				(11,684)			(11,684)
West Norfolk CCG					(9,608)		(9,608)
	(6,144)	(9,266)	(10,406)	(11,684)	(9,608)	0	(47,108)
Norfolk County Council	(12)	(6)	(6)	(12)	(6)		(42)
Capital Grants						(6,080)	(6,080)
Total Income	(6,156)	(9,272)	(10,412)	(11,696)	(9,614)	(6,080)	(53,230)
Expenditure							
Great Yarmouth and Waveney CCG	2,266						2,266
North Norfolk CCG		2,021					2,021
Norwich CCG			2,501				2,501
South Norfolk CCG				2,522			2,522
West Norfolk CCG					3,316		3,316
	2,266	2,021	2,501	2,522	3,316	0	12,626
Norfolk County Council	3,890	7,251	7,911	9,174	6,298	6,080	40,604
Total Expenditure	6,156	9,272	10,412	11,696	9,614	6,080	53,230
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**

- Equipment Pool

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

2016-17	**Contributions**	**Expenditure**	**Net (surplus) / deficit**
	£000s	**£000s**	**£000s**
Clinical Commissioning Groups:			
Great Yarmouth and Waveney CCG	(298)	298	0
North Norfolk CCG	(1,087)	1,087	0
Norwich CCG	(886)	886	0
South Norfolk CCG	(978)	978	0
West Norfolk CCG	(949)	949	0
	(4,198)	4,198	0
Norfolk County Council	(2,504)	2,504	0
Total	**(6,702)**	**6,702**	**0**

2015-16	Contributions	Expenditure	Net (surplus) / deficit
	£000s	£000s	£000s
Clinical Commissioning Groups:			
Great Yarmouth and Waveney CCG	(227)	227	0
North Norfolk CCG	(1,004)	1,004	0
Norwich CCG	(913)	913	0
South Norfolk CCG	(936)	936	0
West Norfolk CCG	(896)	896	0
	(3,976)	3,976	0
Norfolk County Council	(2,801)	2,801	0
Total	**(6,777)**	**6,777**	**0**

- 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 favourable rate to fund strategic infrastructure. The agreement included a commitment from Broadland District Council, Norwich City Council and South Norfolk Council to pool CIL income, and in October 2015 an agreement including Norfolk County Council was signed to pool CIL income in order to create a substantial local growth fund to support local infrastructure projects. Norfolk County Council acts as the accountable body.

Under a related agreement Norfolk County Council has borrowed £40m in 2016-17 to part fund the construction costs of the Norwich Northern Distributor 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.

	2015-16	2016-17
	£000s	£000s
Balance brought forward	219	2,423
Gross Income	2,380	2,284
Expenditure	(183)	(1,144)
Interest on daily cash balances	7	14
Balance carried forward	**2,423**	**3,577**

29. Members Allowances

The total amount of members allowances paid in the year was £1.070m (£1.061m in 2015-16).

30. Officers Remuneration

(i) Council's senior employees:

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

Remuneration is deemed to include:

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

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

Senior Officer Remuneration Table – 2016-17

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Managing Director: W Thomson		181,800	0	0	**181,800**	28,200	**210,000**
Executive Director of Adult Social Services: H Bodmer	Note A	47,100	0	0	**47,100**	6,500	**53,600**
Interim Executive Director of Adult Social Services: C Underwood	Note A	51,100	0	0	**51,100**	7,900	**59,000**
Executive Director of Adult Social Services: J Bullion	Note A	31,500	0	0	**31,500**	3,700	**35,200**
Executive Director of Children's Services: M Rosen	Note B	93,900	0	70,000	**163,900**	14,600	**178,500**
Interim Executive Director of Children's Services: A Bunyan	Note B	37,700	0	0	**37,700**	0	**37,700**
Interim Executive Director of Children's Services: M Dunkley	Note B	45,300	0	0	**45,300**	0	**45,300**
Executive Director of Communities and Environment: T McCabe		140,900	0	0	**140,900**	21,800	**162,700**
Executive Director of Finance and Commercial Services: S George		128,500	0	0	**128,500**	19,900	**148,400**
Executive Director of Resources: A Gibson	Note C	65,700	0	252,500	**318,200**	10,200	**328,400**
Chief Fire Officer: R Harold	Note D	121,800	2,360	20,000	**144,160**	26,400	**170,560**
Acting Chief Fire Officer: D Ashworth	Note D	43,900	1,450	0	**45,350**	9,500	**54,850**
Executive Director of Public Health: L Smith		113,700	270	0	**113,970**	16,300	**130,270**
Chief Legal Officer and Monitoring Officer: V McNeill		96,700	750	0	**97,450**	15,000	**112,450**

1. Expense Allowances: The expenses allowances in the table relate to:

R Harold:	Vehicle at Chief Fire Officer's disposal
D Ashworth:	Vehicle at Chief Fire Officer's disposal
L Smith:	Health scheme costs and mileage payments
V McNeill:	Lease Car

2. Senior management restructure: At its meeting on 12 December 2016 the County Council agreed a review of the senior management structure aimed at securing improvements in the strategic, service and transactional services required to meet the changing needs of different customer groups across the Council. The main changes are:

- ICT and Procurement services joined the Finance Department to form the Finance and Commercial Services Department.

- A new post of Chief Legal Officer was established and is separate from the post of Practice Director of nplaw, the Council's legal services trading company.
- A new post of Strategy Director was created to enable the bringing together of strategic functions for Human Resources, Communications, Business Intelligence and Strategy and Delivery. This post was vacant until early April 2017 so no officer held the post during 2016-17.

Note A: Harold Bodmer was the Executive Director of Adult Social Services until his untimely death in July 2016. Catherine Underwood was appointed as Interim Executive director from 29 July 2016 until the appointment of James Bullion as Executive Director on 3 January 2017.

Note B: Michael Rosen resigned from the post of Director of Children's Services on 18 November 2016. The Council secured the services of Andrew Bunyan as Interim Director from November and he remained in post until the appointment of Matt Dunkley as Interim Director of Children's Services from 6 February 2017. The sums shown against Andrew Bunyan and Matt Dunkley represent the fees paid to secure their services and are not salary.

Note C: The County Council agreed, at its meeting on 25 July 2016, to delete the post of Executive Director of Resources with effect from 18 September 2016. The postholder was made redundant and was entitled to redundancy payments and early release of pension benefits without reduction. The compensation for loss of office consists of a payment to the former Executive Director of Resources of £93,200 (redundancy costs of £77,000, payment for contractual notice of £14,300 and untaken annual leave of £1,900) and costs to the County Council of terminating employment of £159,300 (employer pension strain).

Note D: By mutual agreement Roy Harold stepped away from operational service and David Ashworth took over as Chief Fire Officer from 1 November 2016. Roy Harold served his notice entitlement and took his holiday entitlement and left our employ on 31 March 2017. A payment of £20,000 was made to Mr Harold on termination.

Senior Officer Remuneration Table – 2015-16

Position & Postholder		**Salary**	**Expenses Allowances**	**Compensation for loss of office**	**Sub Total**	**Employer Pension contributions**	**Total**
Managing Director: W Thomson		180,000	0	0	**180,000**	27,900	**207,900**
Executive Director of Adult Social Services: H Bodmer		139,500	400	0	**139,900**	21,600	**161,500**
Executive Director of Children's Services: M Rosen	Note A	74,500	0	0	**74,500**	11,500	**86,000**
Interim Executive Director of Children's Services: S Lock	Note A	143,000	0	0	**143,000**	0	**143,000**
Executive Director of Communities and Environment: T McCabe		139,500	0	0	**139,500**	21,600	**161,100**
Executive Director of Finance: S George	Note B	99,200	0	0	**99,200**	15,400	**114,600**
Interim Executive Director of Finance: P Timmins	Note B	28,860	0	0	**28,860**	0	**28,860**
Executive Director of Resources: A Gibson		139,500	0	0	**139,500**	21,600	**161,100**
Chief Fire Officer: N Williams (up to September)	Note C	62,400	0	0	**62,400**	13,500	**75,900**
Chief Fire Officer: R Harold (from September)	Note C	60,200	1,500	0	**61,700**	12,600	**74,300**

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Interim Director of Public Health: L M Macleod (up to August)	Note D	44,400	0	0	**44,400**	6,200	**50,600**
Executive Director of Public Health: L Smith (from October)	Note D	53,900	100	0	**54,000**	7,500	**61,500**
Head of Law and Monitoring Officer: V McNeill		91,300	300	0	**91,600**	14,200	**105,800**

Note on Expenses Allowances: The expenses allowances in the table relate to:

a) R Harold - vehicle at Chief Fire Officer's disposal.

b) L Smith - Mileage payments in excess of HMRC limit

c) V McNeill - lease car

Note A: Sheila Lock was the Interim Executive Director of Children's Services until Michael Rosen was appointed on 7 September 2015. Ms Lock remained with the Council until 30 September to ensure a smooth handover. The sum shown against Ms Lock represents the fee paid to secure her services and is not salary.

Note B: Peter Timmins was the Interim Executive Director of Finance until Simon George was appointed on 25 May 2015. Mr Timmins remained until 29 May to ensure a smooth handover. The sum shown against Mr Timmins represents the fee paid to secure his services and is not salary.

Note C: Nigel Williams was Chief Fire Officer until Roy Harold was appointed on 30 September 2015.

Note D: Lucy Macleod held the post of Interim Director of Public Health from 1 April 2013 (when the service transferred from the Primary Care Trusts to local authorities) until 14 August 2015. Louise Smith was appointed to the post from 1 October 2015.

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

Remuneration Band	2015-16			2016-17		
	School Staff	**Other Staff**	**Total Employees**	**School Staff**	**Other Staff**	**Total Employees**
£50,000 - £54,999	104	87	191	85	112	197
£55,000 - £59,999	67	64	131	66	78	144
£60,000 - £64,999	47	20	67	31	21	52
£65,000 - £69,999	19	18	37	23	19	42
£70,000 - £74,999	13	2	15	12	9	21
£75,000 - £79,999	5	5	10	5	7	12
£80,000 - £84,999	5	3	8	5	2	7
£85,000 - £89,999	3	4	7	3	4	7
£90,000 - £94,999	1	10	11	2	6	8
£95,000 - £99,999	1	3	4	1	2	3
£100,000 - £104,999	2	2	4	1	3	4
£105,000 - £109,999	0	1	1	0	2	2
£110,000 - £114,999	0	1	1	0	2	2
£115,000 - £119,999	0	0	0	0	0	0
£120,000 - £124,999	1	0	1	0	0	0
£125,000 - £129,999	0	0	0	0	1	1

Remuneration Band	2015-16			2016-17		
	School Staff	Other Staff	Total Employees	School Staff	Other Staff	Total Employees
£130,000 - £134,999	0	0	0	0	0	0
£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	0	0	0
£150,000 - £154,999	0	0	0	0	0	0
£155,000 - £159,999	0	0	0	0	0	0
£160,000 - £164,999	0	0	0	0	0	0
£165,000 - £169,999	0	0	0	0	0	0
£170,000 - £174,999	0	0	0	0	1	1

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

Exit Package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
							£000s	£000s
£0 – £20,000	86	33	126	122	212	155	1,339	979
£20,001 - £40,000	5	8	29	13	34	21	952	614
£40,001 - £60,000	1	0	6	8	7	8	366	421
£60,001 - £80,000	0	0	2	3	2	3	135	212
£80,001 - £100,000	1	1	1	2	2	3	163	283
£100,001-£150,000	0	0	0	0	0	0	0	0
Over £150,000	0	1	0	0	0	1	0	252
Total	**93**	**43**	**164**	**148**	**257**	**191**	**2,955**	**2,761**

The Council terminated the contracts of a number of employees in 2016-17, incurring liabilities of £2.761m (£2.955m in 2015-16). Of this total, £0.252m is payable to the Executive Director of Resources in the form of compensation for loss of office. The remaining £2.509m is payable to 190 officers from Service departments who were made redundant as part of the Council's rationalisation of these Services.

31. 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

	2015-16	2016-17
	£000s	£000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	128	128
Fees payable to external auditors for additional services	3	0
Fees payable to external auditors for the certification of grant claims and returns for the year	15	15
Total	**146**	**143**

32. Dedicated Schools Grant

Education authorities in England are required by the Accounts and Audit Regulations 2015 and paragraph 3.4.5.1(3) of the Code to include a note demonstrating whether the Dedicated Schools Grant has been deployed in accordance with regulations.

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

Details of the deployment of DSG receivable are as follows:

	2015-16			2016-17		
	Total £000s	**Central Expenditure £000s**	**Individual Schools Budget £000s**	**Total £000s**	**Central Expenditure £000s**	**Individual Schools Budget £000s**
Final DSG for the financial year (before Academy recoupment)	(553,605)			(559,752)		
Academy figure recouped	196,426			226,420		
Total DSG (after Academy recoupment)	(357,179)			(333,332)		
Plus: Brought forward from the previous year	(10,226)			(5,547)		
Less: Carry forward to next financial year agreed in advance	0			0		
Agreed initial budgeted distribution in the year	(367,405)	(35,911)	(331,494)	(338,879)	(30,631)	(308,248)
In year adjustments	(530)	0	(530)	0	0	0
Final budget distribution for the year	(367,935)	(35,911)	(332,024)	(338,879)	(30,631)	(308,248)
Less: Actual central expenditure	30,364	30,364	0	30,631	30,631	0
Less: Actual ISB deployed to schools	332,024	0	332,024	310,826	0	310,826
Plus Council contribution for the year	0	0	0	0	0	0
Carry forward to next financial year	**(5,547)**	**(5,547)**	**0**	**2,578**	**0**	**2,578**

33. Related Party Transactions

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

<u>Central Government</u>
Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of

grants received from Government Departments are set out in notes 13 and 23. Grant receipts not yet recognised due to conditions attached to them at 31 March 2017 are included in current liabilities and are shown in note 23.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2016-17 is shown in note 29. 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 £1.199m (£4.250m in 2015-16) of funding to several charities for which a number of members are Trustees. Further details are available in the Register of Member's Interests.

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

Other Public Bodies:

(i) Eastern Inshore Fisheries and Conservation Authority (EIFCA) – There are three councillors that represent the council on the EIFCA.
(ii) The Council has pooled fund arrangements with Clinical Commissioning Groups and other health bodies. Transactions and balances outstanding are detailed in note 28.
(iii) The Council is a member of three Joint Committees – Eastern Shires Purchasing Organisation (ESPO), Norfolk Museums, and Records. The County Council accounts include all of the Council's revenue transactions, assets and liabilities relating to the Museums and Records Committees.
The Council is a member, along with six other local authorities, of ESPO. The Council has no control over the day to day operations of ESPO, but as a member of the consortium has a share of the company equating to 26% (26% in 2015-16) calculated as a proportion of the Council's share of ESPO's turnover. Further information on ESPO can be found in their own Statements of Accounts

Pension Fund
During the financial year, the pension fund had an average daily balance of £8.1m of surplus cash deposited with the Council (£8.2m in 2015-16). The Council paid the fund a total for interest of £0.031m on these deposits (£0.038m in 2015-16). The Council charged the fund £0.007m (£0.007m in 2015-16) for expenses incurred in administering these balances.

Companies and Joint Ventures
The Council has six 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 2016-17. During the year the total values of payments made to and received from Norse Group Ltd, were £78.075m and £6.089m respectively (£82.434m and £6.414m respectively in 2015-16).

Independence Matters is a Community Interest Company which started trading on 1 November 2013. The Council owns 49% of the shares through an initial contract period of three years. During the year approximately 99% of the company's turnover was with Norfolk County Council. The total value of payments made to and received from Independence Matters were £15.290m and £0.455m respectively (£13.453m and £1.192m respectively in 2015-16).

Hethel Innovations Ltd (HIL), Norfolk Energy Futures Ltd (NEFL) and Norfolk Safety CIC are all 100% owned by the Council. The Great Yarmouth Development Company is jointly owned with Great Yarmouth Borough Council and controlled through a 100% holding in Norfolk Regeneration Company Ltd. All have Council member or officer representation on their boards of directors. The Council has provided short term working capital and loans to the subsidiaries at appropriate rates of interest and repayable on terms relating to the nature or the loan and the expected life of underlying assets.

34. Capital Expenditure and Capital Financing

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

	2015-16	2016-17
	£000s	£000s
Opening Capital Financing Requirement	**657,491**	**673,445**
Adjustment to Opening Balance	159	
Capital Investment		
Property, plant and equipment	107,300	168,878
Intangible assets	46	164
Revenue expenditure funded from capital under statute	21,915	27,306
Loans	10,597	8,816
Sources of Finance		
Capital receipts	(3,755)	0
Government grants and other contributions	(99,960)	(170,693)
Sums set aside from revenue:		
Direct revenue contributions	(4,288)	(4,192)
Minimum Revenue Provision	(16,060)	(6,007)
Closing Capital Financing Requirement	**673,445**	**697,717**
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(10,637)	(6,007)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	28,684	30,279
Assets acquired under Finance Leases	(1,362)	0
Assets acquired under PFI contracts	(830)	0
Other long term liabilities	(60)	0
Increase/(decrease) in Capital Financing Requirement	**15,795**	**24,272**

35. Leases

Council as Lessee:

(i) Finance Leases

The Council has acquired the following assets under finance leases:

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

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

	31 March 2016	31 March 2017
	£000s	£000s
Land and buildings	8,724	9,296
Vehicles, plant and equipment	4,268	2,901
Heritage Assets	2,270	2,270
County Council Total	**15,262**	**14,467**

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

	31 March 2016	31 March 2017
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	1,545	930
Non current	3,152	2,223
Finance costs payable in future years	422	256
Minimum lease payments	**5,119**	**3,409**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000s	£000s	£000s	£000s
Not later than one year	1,710	1,040	1,545	930
Later than one year and not later than five years	2,835	2,146	2,280	1,686
Later than five years	574	223	872	536
	5,119	**3,409**	**4,697**	**3,152**

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

(ii) Operating Leases

Vehicles, Plant and Equipment:

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

The amount paid under these arrangements in 2016-17 was £0.430m (£0.545m in 2015-16).

Land and Buildings:

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

The rentals payable in 2016-17 were £1.671m (£1.741m in 2015-16).

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

	31 March 2016	31 March 2017
	£000s	£000s
Not later than one year	1,204	1,124
Later than one year and not later than five years	3,636	3,149
Later than five years	7,862	7,275
Total	**12,702**	**11,548**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.101m (£2.286m in 2015-16).

The Council as Lessor:

Finance leases

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

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

Operating leases

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

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

	31 March 2016 £000s	31 March 2017 £000s
Leases expiring within 1 year	2,761	2,695
Leases expiring within 2 to 5 years	9,234	8,271
Leases expiring after 5 years	17,109	9,581
	29,104	**20,547**

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

36. PFI and similar contracts

At 31 March 2017, the Council had three PFI contracts with private sector contractors:

Norwich Schools Private Finance Initiative (PFI)

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

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

Salt Barns Private Finance Initiative (PFI)

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

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

Street Lighting Private Finance Initiative (PFI)

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

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

Property, Plant and Equipment

Subject to adjustments for schools which have transferred to academy status, the assets used to provide services in these schemes are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 14.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due to be made under operational PFI and similar contracts

	Reimbursement of capital expenditure	Payment for services	Interest	Total at 31 March 2017	Total at 31 March 2016
	£000s	£000s	£000s	£000s	£000s
Payable in 2017-18	853	7,733	5,760	14,346	**13,955**
Payable within 2-5 years	4,405	30,858	21,339	56,602	**56,072**
Payable within 6-10 years	17,059	32,777	21,830	71,666	**70,354**
Payable within 11-15 years	27,840	37,955	10,722	76,517	**74,796**
Payable within 16-20 years	4,045	5,086	373	9,504	**24,953**
Total	**54,202**	**114,409**	**60,024**	**228,635**	**240,130**

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

2016-17	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	**26,002**	**572**	**28,377**	**54,951**
Payments during the year	(3,859)	(417)	(2,381)	(6,657)
Finance lease cost	3,226	253	2,429	5,908
Balance outstanding at year end	**25,369**	**408**	**28,425**	**54,202**

Comparatives for 2015-16	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	**26,760**	**676**	**28,345**	**55,781**
Payments during the year	(4,077)	(403)	(2,394)	(6,874)
Finance lease cost	3,319	299	2,426	6,044
Balance outstanding at year end	**26,002**	**572**	**28,377**	**54,951**

37. Impairment losses

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

During 2016-17 the Council recognised an impairment loss of £38.717m (£5.511m in 2015-16) in relation to capital expenditure incurred which does not result in a change to the value of the assets. Impairment reversals on revaluations total £2.262m (£1.361m in 2015-16).

38. Pension Schemes accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

In 2016-17, the County Council paid £19.589m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2015-16 were £20.274m and 14.1%. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 39.

NHS Pension Scheme

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that scheme on transfer at 1 April 2013. The NHS scheme is an unfunded, defined benefit scheme, but is accounted for in the NHS as if it were a defined contribution scheme. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016-17, the County Council paid £0.229m to the NHS Pension Scheme in respect of Public Health and Mental Health staff's retirement benefits, representing 14.3% of pensionable pay. The figures for 2015-16 were £0.325m and 14.3%. There were no contributions remaining payable at the year end.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme (the Norfolk Pension Fund) for civilian employees, administered by the County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Fire Pension Scheme for Fire Fighters – this is an unfunded defined benefit final salary scheme administered by the Council, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Details of the scheme are shown in the supplementary statement on page 88.

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

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

Transactions relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme		Fire-Fighters Pension Scheme	
	2015-16	2016-17	2015-16	2016-17
	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	72,025	60,992	6,300	5,700
Past service costs	1,486	1,258	0	3,900
(Gain)/loss from settlements	(3,948)	(10,000)	(900)	(900)
Financing and Investment Income and Expenditure:				
Net interest expense	25,064	20,408	9,900	10,200
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	94,627	72,658	15,300	18,900
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined pension liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(11,997)	120,999	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	20,145	800	(1,600)
Actuarial gains and losses arising on changes in financial assumptions	209,649	(440,904)	29,300	(58,900)
Other (if applicable)	32,120	40,470	1,600	28,700
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	324,399	(186,632)	47,000	(12,900)
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(94,627)	(72,658)	(15,300)	(18,900)
Actual amount charged against the General Fund balance for pensions for the year:				
Employers contributions payable to the scheme*	55,490	55,868		
Retirement benefits payable to pensioners			8,500	5,400

*(includes contributions in respect of unfunded benefits)

Pensions assets and liabilities recognised in the Balance Sheet

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2015-16	2016-17	2015-16	2016-17
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(2,189,391)	(2,633,029)	(285,800)	(331,100)
Fair value of plan assets	1,604,145	1,771,703	0	0
Net liability arising from defined benefit obligation	**(585,246)**	**(861,326)**	**(285,800)**	**(331,100)**

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2015-16	2016-17	2015-16	2016-17
	£000s	£000s	£000s	£000s
Balance at 1 April	**2,341,612**	**2,189,391**	**310,700**	**285,800**
Current service cost	72,025	60,992	6,300	5,700
Interest cost	75,190	76,355	9,900	10,200
Contributions by scheme participants	14,277	14,029	1,500	1,400
Remeasurement (gains) and losses:				
Actuarial gains and losses arising on changes in demographic assumptions	0	(20,145)	(800)	1,600
Actuarial gains and losses arising on changes in financial assumptions	(209,649)	440,904	(29,300)	58,900
Other (if applicable)	(32,120)	(40,470)	(1,600)	(28,700)
Past service costs	1,486	1,258	0	3,900
Losses/(gains) on curtailments	(8,584)	(18,140)	(1,900)	(900)
Benefits paid	(64,846)	(71,145)	0	0
Pension and lump sum expenditure	0	0	(9,000)	(6800)
Balance at 31 March	**2,189,391**	**2,633,029**	**285,800**	**331,100**

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

	Local Government Pension Scheme	
	2015-16	**2016-17**
	£000s	**£000s**
Opening fair value of scheme assets	**1,565,731**	**1,604,145**
Interest income	50,126	55,947
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	(11,997)	120,999
Employer contributions	55,490	55,868
Contributions from employees into the scheme	14,277	14,029
Benefits paid	(64,846)	(71,145)
Other (gain/loss from settlements)	(4,636)	(8,140)
Balance at 31 March	**1,604,145**	**1,771,703**

Local Government Pension Scheme Assets comprised:

Asset Category	**Period ended 31 March 2016**				**Period ended 31 March 2017**			
	Quoted prices in active markets	**Quoted prices not in active markets**	**Total**	**Percentage of Total Assets**	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**Percentage of Total Assets**
	£000s	**£000s**	**£000s**	**%**	**£000s**	**£000s**	**£000s**	**%**
Equity Securities:								
Consumer	115,117	-	115,117	7%	131,946	-	131,946	7%
Manufacturing	83,593	-	83,593	5%	102,957	-	102,957	6%
Energy and Utilities	36,027	-	36,027	2%	49,216	-	49,216	3%
Financial Institutions	104,963	-	104,963	7%	113,876	-	113,876	6%
Health and Care	51,234	-	51,234	3%	53,565	-	53,565	3%
Information Technology	48,249	-	48,249	3%	50,639	-	50,639	3%
Other	-	-	-	0%	-	-	-	0%
Debt Securities:								
Corporate Bonds (investment grade)	-	-	-	0%	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Private Equity:								
All	-	103,137	103,137	6%	-	110,731	110,731	6%
Real Estate:								
UK Property	-	182,833	182,833	11%	-	165,374	165,374	9%

Asset Category	Period ended 31 March 2016				Period ended 31 March 2017			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£000s	£000s	£000s	%	£000s	£000s	£000s	%
Overseas Property	-	24,722	24,722	2%	-	27,653	27,653	2%
Investment Funds and Unit Trusts:								
Equities	411,923	-	411,923	26%	470,565	-	470,565	27%
Bonds	412,694	-	412,694	26%	447,810	-	447,810	25%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rates	-	-	-	0%	-	-	-	0%
Foreign Exchange	(4,961)	-	(4,961)	0%	(3,670)	-	(3,670)	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash equivalents:								
All	-	34,614	34,614	2%	-	51,040	51,040	3%
Totals	**1,258,839**	**345,306**	**1,604,145**	**100%**	**1,416,904**	**354,798**	**1,771,702**	**100%**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the fire fighters scheme and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council fund being based on the most recent actuarial valuation of the scheme.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2015-16	**2016-17**	**2015-16**	**2016-17**
Mortality assumptions:				
Longevity at 65 (60 for Fire fighters scheme) for current pensioners:				
Men	22.1	22.1	29.7	30.2
Women	24.3	24.4	31.6	31.7

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2015-16	2016-17	2015-16	2016-17
Longevity at 65 (60 for Fire fighters scheme) for future pensioners:				
Men	24.5	24.1	31.2	31.6
Women	26.9	26.4	33.2	33.2
Rate of inflation	3.2%	3.4%	3.2%	3.4%
Rate of increase in salaries	3.2%	2.7%	3.2%	3.4%
Rate of increase in pensions	2.2%	2.4%	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%	3.5%	2.6%

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

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

Local Government Pension Scheme:

Change in assumptions at 31 March 2017	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	10%	258,683
0.5% increase in the salary increase rate	1%	34,938
0.5% increase in the pension increase rate	8%	220,359

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 £78.991m - £131.651m).

Fire Fighters Pension Scheme

Change in assumptions at 31 March 2017	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	9%	28,700
1 year increase in member life expectancy	3%	9,900
0.5% increase in the salary increase rate	1%	4,100
0.5% increase in the pension increase rate	8%	25,700

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 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 provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £55.836m expected contributions to the scheme in 2017-18.

The weighted average duration of the defined benefit obligation for scheme members is 18 years.

40. Contingent Liabilities

Financial Guarantees

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

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

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

Great Yarmouth Port Company Pension Guarantee

On 25 May 2007, the employees of Great Yarmouth Port Authority, who had transferred into the employment of the new Great Yarmouth Port Company (GYPC), were admitted into the Norfolk Pension Scheme. Norfolk County Council is underwriting any potential liability for these employees to the Pension Scheme. GYPC was required to provide land to the County Council as collateral to cover the liability, the value of which is reviewed at least every five years. At the time of the most recent valuation (August 2014), the value of the collateral was just over 180% of the potential liability, and therefore adequate to meet any obligation that may arise for the Fund.

NHS Trusts Business Rates

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

41. Nature and Extent of risks arising from Financial Instruments

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

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

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

Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

(a) Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Capita 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, forming the core element.

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

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

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

The full Investment Strategy for 2016-17 was approved by full Council on 22 February 2016 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

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

The Council does not generally allow credit for customers, such that £43.670m of the £114.156m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2016	31 March 2017
	£000s	£000s
Less than three months	21,203	20,596
Three to six months	4,659	3,634
Six months to one year	5,475	6,459
More than one year	11,953	12,981
	43,290	**43,670**

The Council initiates a legal charge on property where, for instance, clients require the assistance of Social Services but cannot afford to pay immediately. The total collateral at 31 March 2017 was £1.690m.

(b) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual investment and treasury strategy reports), as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2016	31 March 2017
	£000s	£000s
Less than one year	125,100	104,632
Between one and two years	77	0
More than two years	0	0
	125,177	**104,632**

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

(c) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved investment and treasury strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved maximum limits	Approved minimum limits	31 March 2016 £000s	31 March 2017 £000s
Less than one year	15%	0%	12,305	14,197
Between one and two years	15%	0%	6,525	6,500
Between two and five years	45%	0%	17,480	13,281
Between five and ten years	75%	0%	73,000	85,725
More than ten years	100%	0%	386,979	410,175
			496,289	**529,878**

The analysis does not include totals for creditors as detailed in note 17.

(d) Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government Grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	£000s
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	488
Impact on surplus or deficit on the Provision of Services	488
Decrease in fair value of fixed rate investment assets	N/A
Impact on Other Comprehensive Income and Expenditure	
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)	99,840

The approximate impact of a fall in interest rates would be limited to £0.373m. These assumptions are based on the same methodology as used in the note – Fair value of assets and liabilities carried at amortised cost.

(e) Price Risk

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

The Council does have shares in six wholly owned companies (including the Norse Group), Norwich Airport Ltd and in a local authority purchasing consortium operated by a joint committee. These holdings are illiquid and the Council is not exposed to movements in the price of the shares as these are not being traded, but would be subject to any change in fair value upon disposal.

(f) Foreign Exchange Risk

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

42. Foundation Schools

The Schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the local authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation Schools in this consolidated balance sheet.

Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation Schools, which are not required to be consolidated in this balance sheet. During 2016-17, 5 schools moved from Foundation to Academy status, 2 schools moved from Foundation to Voluntary Controlled (VC) status, 1 school transferred from Foundation to Voluntary Aided (VA) status and 1 school transferred from Foundation to Community status giving a total in this authority area of 33 Foundation Schools (42 in 2015-16).

43. Funds Administered for Third Parties

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

	31 March 2016 £000s	31 March 2017 £000s
Office of the Police and Crime Commissioner for Norfolk	17,000	0
Norfolk Pension Fund	2,747	6,395
Norse Care Ltd	3,454	4,012
Norse Commercial Services Ltd	1,486	1,263
Independence Matters CIC	532	1,185
	25,219	**12,855**

44. Trust Funds

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

Norfolk Fire Fighters Pension Fund Accounts

This section summarises the accounts of the Fire Fighters' Pension Fund for the year ending 31 March 2017. 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 26, 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 2017

2015-16 £000s			2016-17 £000s
	Contributions receivable		
	County Council		
(1,864)	- Contributions in relation to pensionable pay	(1,865)	
(122)	- Early retirements	(103)	
(2,146)	Fire fighters' contributions	(1,480)	
(4,132)			(3,448)
0	Transfers in from other authorities		(31)
	Benefits payable		
7,007	Pensions	6,492	
2,611	Commutations and lump sums	683	
9,618			7,175
	Payments to and on account of leavers		
0	Refunds of contributions		201
5,486	Net amount payable for the year		3,897
(5,486)	Top up grant payable by Government		(3,897)
0			**0**

Fire Fighters Pension Fund Net Assets Statement

31 March 2016 £000s		31 March 2017 £000s
608	Top up (payable to) / receivable from Government	(172)
(608)	Amount owing (to) / from General Fund	172
0		**0**

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

Notes to the Fire Fighters Pension Fund Accounts

1. Summary of Arrangements

There are four schemes operated by the Home Office for Fire fighter pensions, 1992, 2006, modified 2006 and 2015. The career averaged (CARE) Fire fighter pension scheme was introduced in 2015 as a phased replacement of the 1992 'old' and 2006 'new' schemes for active members. It is open to both whole time and retained fire officers with the majority of active members paying into this scheme. The employer contribution rate has been set at 14.3% of Fire Officers pensionable pay. The rate is 21.7% for the old scheme and 11.9% of Fire Officers pensionable pay for the new scheme. The old and new schemes continue to run with members transferring to the 2015 CARE scheme on a tapered basis depending on the years of service under the existing schemes. Most members will have transferred to the CARE 2015 scheme or retired by 2023. There are a small number of special members with the Modified 2006 scheme. Most of these payments were one off payments relating to earnings between 2000 to 2006 for retained fire fighters. However there are 12 special active members under this scheme, all retained. The employer contribution rate has been set at 21.7% of Fire Officers pensionable pay, the same as if they were under the 1992 scheme.

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

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

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

2. Grant Arrangements

The Norfolk Fire Fighters Pension Scheme is an unfunded, defined benefit scheme which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Information on the Councils' long term pension obligations can be found in Note 39 to the main accounts.

The account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Government. The underlying principle is that employer and officer contributions together will meet the full costs of pension liabilities being accrued by serving officers while Central Government provides for the costs of pensions paid to retired officers and their dependants. Should there be a surplus in the account this is repaid to Government.

3. Pension Administration

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

Group Accounts

Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council is involved with a number of companies and organisations whose assets and liabilities are not included in the Council's single entity statements. In these cases the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts.

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. Two of these, Norse Group Ltd and Independence Matters CIC are considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Norse Group Ltd and Independence Matters CIC.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Norse Group Ltd	Subsidiary	Consolidated
Independence Matters CIC	Subsidiary	Consolidated
Norfolk Energy Futures Ltd	Subsidiary	Not material
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Regeneration Company Limited	Subsidiary	Not material
Norfolk Safety Community Interest Company	Subsidiary	Not material
Public Law East Limited	Subsidiary	Not material
Educator Solutions Ltd	Subsidiary	Dormant
Norwich Airport Legislator companies	No group relationship	Not consolidated

Subsidiaries

Norse Group Ltd

The company was formed on 1 February 2006 and its principal activity is that of a holding company. It is a wholly owned subsidiary of the County Council and is included in the Group Accounts.

Norse Group Ltd comprises Facilities and Waste Management provider Norse Commercial Services Limited (NCS), NPS Property Consultants Limited (NPS) and Norse Care Limited (NCL).

Facilities Management services include cleaning, printing, building maintenance, waste collection, transport, environmental services and security, as well as support services such as human resources and payroll. Waste management includes operating and maintaining landfill sites, waste transfer stations, and recycling facilities, as well as waste collection and composting services.

Property consultancy services include architectural services, CDM and project management, building surveying, valuation and estate management, land agency, quantity surveying, graphic design and archaeological services.

Care services includes the management and staffing of 20 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. In March 2001, the Council provided a loan of £2.440m, which is being repaid in equal instalments over 23 years by Norse Commercial Services Ltd. A capital loan of £10m was made to Norse Group by the County Council in 2015-16 and a further loan of £6.25m to support the development of the Norwich Aviation Academy was made to Norse Group in July 2016.

The company's accounting period for 2016-17 is from 1 April 2016 to 31 March 2017. Copies of the final accounts of the company for the period ended 31 March 2017 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 2017 are shown in the table below.

Norse Group Ltd	**2015-16 restated**	**2016-17**
	£000s	**£000s**
Current Assets	58,238	63,266
Non-current assets	107,620	117,614
Current Liabilities	(60,401)	(66,162)
Non-current liabilities.	(74,588)	(98,279)
Net Assets for the accounting period	30,869	16,439
Revenue (for 2015-16: 14 months)	316,911	281,337
Profit or loss from continuing operations	4,134	2,566
Profit/(Loss) for the accounting period (after Tax)	3,387	1,766
Other comprehensive (expense) / income	20,545	(15,688)
Total comprehensive (expense) / income	23,932	(13,922)
Extent of non-controlling interests		
Non-controlling equity interest	(229)	(1,058)
Non-controlling interest in the Profit/(Loss) for the accounting period	262	426

The non-controlling interests result from a number of joint ventures entered into by the Norse Group Ltd. The non-controlling interests are not material to the Group financial statements.

Independence Matters CIC

Independence Matters CIC is the first 'spin out' social enterprise to be launched by Norfolk County Council. The Company started trading on 1 November 2013 with over 600 staff transferring from Norfolk County Council's Personal and Community Support Services.
The main activities of the company are the provision of the following services under contract with Norfolk County Council:

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

Independence Matters is a Community Interest Company limited by shares. The company's staff own 51% of the shares and Norfolk County Council will own 49% of the shares through the initial contract period of three years, during which time any surpluses will be principally reinvested for its social objectives. The Staff shares are held through an Employee Benefit Trust and are not available for sale.
Norfolk County Council has a contract and service specification with the company for at least three years with an option to extend for a further two years. During 2016-17, approximately 99% of the company's turnover of approximately £15m 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.

Norfolk Energy Futures Ltd (NEFL)

NEFL is 100% owned by the County Council and was created to realise and maximise revenue from investment in renewable energy and energy conservation projects. The company owns and operates 19 x 5Kw wind turbines on 11 Norfolk County Council farms, together with a small number of larger turbines on other Council property, and a solar scheme on a third party site.

Hethel Innovation Limited (HIL)

HIL is 100% owned by the County Council. The company was set up as a special purpose vehicle to build 'grow on' space for businesses, using EU funding. The company has developed a site adjacent to the Hethel Engineering Centre, constructing its 40,000 sq ft Advanced Manufacturing Centre at a cost of £5.9m. This added 16 new offices and workshop spaces to the site which continues to attract new businesses.

Norfolk Regeneration Company Limited (NRC) and Great Yarmouth Development Company Limited (GYDC)

NRC is 100% owned by the County Council. The purpose of the company is to promote economic development on behalf of the local authorities of Norfolk. The company's structure provides a mechanism for joint venture activity. GYDC is jointly owned with Great Yarmouth Borough Council and completed a housing project in 2014-15.

Norfolk Safety Community Interest Company (CIC)

Norfolk Safety Community Interest Company (CIC) was set up in January 2015 and is wholly owned by Norfolk County Council. The company, operating in partnership with Norfolk Fire and Rescue Service provides a range of risk management, training related services to public bodies, third sector organisations and businesses. Any surpluses generated by the company will be reinvested in activities to make Norfolk a safer place to live and visit.

Public Law East Limited

Public Law East Limited was incorporated 13 February 2017. Nplaw (Norfolk Public Law) is a shared legal service hosted by the Council. The service has established Public Law East Limited as an "alternative business structure" which will allow it to pursue business previously not permitted under the regulatory requirements of the Solicitors' Regulatory Authority.

Relationships with Other Entities

Norwich Airport Legislator companies

In March 2004, the County Council and Norwich City Council sold 80.1% of the shares held in Norwich Airport Ltd to Omniport Limited. In 2014, Omniport Holdings Limited, the company's ultimate parent company, sold its 100% interest in Omniport Limited to Regional & City Airports Holdings Limited ("RCA"). RCA is a specialist business in the ownership and management of airports, and is a subsidiary of Rigby Group (RG) plc ("Rigby Group").

The remaining 19.9% of the shares are held by the County Council (9%), Norwich City Council (6%) and a jointly owned local authority company, Legislator 1656 (4.9%). A second jointly owned local authority company, Legislator 1657 (a wholly owned subsidiary of Legislator 1656), holds some land associated with the airport which was excluded from the sale to Omniport. The County Council holds 60% of Legislator 1656 with the City Council holding the remaining 40%, effectively giving the County Council a further holding of 3% in the Airport Company. This is in addition to the Council's direct share holding in the airport (9%). The sale valued Norwich Airport at £13.7m and the investment value included in the Balance Sheet represents the Council's 9% direct holding in the company. Further details are included in the note on Financial Instruments on page 55.

The accounts for 2016-17 are not yet available. Copies of the accounts will be available from Companies House or by request to the County Council.

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code.

Group Comprehensive Income and Expenditure Statement

	2015-16 Gross Expenditure restated £000s	2015-16 Gross Income restated £000s	2015-16 Net Expenditure restated £000s	2016-17 Gross Expenditure £000s	2016-17 Gross Income £000s	2016-17 Net Expenditure £000s
Adult Social Services	378,467	120,824	257,643	385,367	116,152	269,215
Children's Services	635,199	458,059	177,140	626,039	432,260	193,779
Community and Environmental Services	290,575	91,489	199,086	325,668	163,055	162,613
Resources	46,950	53,909	(6,959)	41,518	10,783	30,735
Finance and Property	26,034	5,528	20,506	51,732	5,636	46,096
Finance General	1,087	2,789	(1,702)	10,430	5,820	4,610
Other Services	103,609	106,337	(2,728)	106,483	105,468	(985)
Non Distributed Costs	(3,587)	622	(4,209)	(5,550)	0	(5,550)
Exceptional Items (Note 2)	1,827	0	1,827	7,003	4,538	2,465
Other Operating Income	0	368	(368)	0	374	(374)
Cost of Services	**1,480,161**	**839,925**	**640,236**	**1,546,690**	**844,086**	**702,604**
Other Operating Expenditure			88,194			112,140
Financing and Investment Income and Expenditure (Note 2)			66,667			62,446
Taxation and Non-Specific Grant Income			(724,060)			(804,974)
(Surplus) / Deficit on Provision of Services			**71,037**			**72,216**
Share of surplus or deficit of associates			0			(23)
Tax Expenses (Note 3)			6,262			901
Group (Surplus) / Deficit			**77,299**			**73,094**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(20,522)			(74,462)
Actuarial (Gains) / Losses on Pension Assets / Liabilities			(283,641)			306,777
Other Comprehensive Income and Expenditure			**(304,163)**			**232,315**
Total Comprehensive Income and Expenditure			**(226,864)**			**305,409**

As stated in the Narrative Report on page 11, the Council is no longer required to report the cost of individual services in accordance with Service Reporting Code of Practice, as has been the requirement in previous years. Therefore, the service headings in the Net Cost of Services above are reported in line with the service structures reported to Council committees. The comparative figures for 2015-16 have been restated accordingly.

Group Movement in Reserves Statement

The Code requires that the Group Movement in Reserves statement excludes movements on reserves attributable to minority interests. The Council's subsidiary Norse Group Ltd includes minority interests within their accounts. This means that totals in the Group Movement in Reserves statement do not reconcile to the Group Comprehensive Income and Expenditure Statement or the total reserves shown in the Group Balance Sheet. The table on page 96 shows the Group movements including an analysis of minority interests.

	Council's Usable Reserves	Subsidiary Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Subsidiary Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2015	**221,547**	**(12,906)**	**208,641**	**(167,636)**	**16,882**	**(150,754)**	**57,887**
Movement in Reserves during 2015-16							
Total Comprehensive Expenditure and Income	13,926	(70,896)	(56,970)	281,994	0	281,994	225,024
Adjustments between Group Accounts and Council Accounts*	(88,278)	88,278	0	0	0	0	0
Net increase or decrease before transfers	(74,352)	17,382	(56,970)	281,994	0	281,994	225,024
Adjustments between accounting basis & funding basis under regulations	69,462	0	69,462	(69,462)	0	(69,462)	0
Increase / (Decrease) in Year	**(4,890)**	**17,382**	**12,492**	**212,532**	**0**	**212,532**	**225,024**
Balance at 31 March 2016	**216,657**	**4,476**	**221,133**	**44,896**	**16,882**	**61,778**	**282,911**
Movement in Reserves during 2016-17							
Total Comprehensive Expenditure and Income	13,428	(101,381)	(87,953)	(216,628)	0	(216,628)	(304,581)
Adjustments between Group Accounts and Council Accounts**	(88,751)	88,751	0	0	0	0	0
Net increase or decrease before transfers	(75,323)	(12,630)	(87,953)	(216,628)	0	(216,628)	(304,581)
Adjustments between accounting basis & funding basis under regulations	75,845	0	75,845	(75,845)	0	(75,845)	0
Increase / (Decrease) in Year	**522**	**(12,630)**	**(12,108)**	**(292,473)**	**0**	**(292,473)**	**(304,581)**
Balance at 31 March 2017	**217,179**	**(8,154)**	**209,025**	**(247,577)**	**16,882**	**(230,695)**	**(21,670)**

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

Summary of Group Movements in the Movement in Reserves Statement

	Total from Movement in Reserves Statement	Minority Interest share of subsidiary reserves	Total Group Reserves
	£000s	£000s	£000s
Balance at 31 March 2015	**57,887**	**(2,069)**	**55,818**
Total Comprehensive Expenditure and Income	225,024	1,840	226,864
Balance at 31 March 2016	**282,911**	**(229)**	**282,682**
Total Comprehensive Expenditure and Income	(304,581)	(828)	(305,409)
Balance at 31 March 2017	**(21,670)**	**(1,057)**	**(22,727)**

* see note on previous page.

Group Balance Sheet

	Group Note	31 March 2016 £000s	31 March 2017 £000s
Property, Plant & Equipment	4	1,626,637	1,674,426
Heritage Assets		5,978	5,778
Investment Property		23,705	21,884
Intangible Assets	5	5,629	5,559
Assets held for Sale		0	130
Long Term Investments		1,315	1,238
Investments in Associates and Joint Ventures		22	45
Long Term Debtors	7	11,253	61,305
Deferred Tax Asset		4,477	6,817
Long Term Assets		**1,679,016**	**1,777,182**
Short Term Investments		126,206	101,462
Inventories	6	2,941	3,551
Short Term Debtors	7	150,291	158,864
Cash and Cash Equivalents	8	61,587	59,453
Assets Held for Sale		1,110	1,183
Current Tax Recoverable		606	814
Current Assets		**342,741**	**325,327**
Short Term Borrowing		(13,606)	(25,790)
Other Short Term Liabilities		(3,212)	(3,222)
Short Term Creditors	9	(189,848)	(195,540)
Provisions		(6,356)	(9,450)
Current tax liability		(153)	(91)
Current Liabilities		**(213,175)**	**(234,093)**
Long Term Creditors	13	(2,197)	(16,679)
Provisions		(22,399)	(20,542)
Long Term Borrowing		(509,810)	(529,946)
Other Long Term Liabilities		(962,009)	(1,297,328)
Capital Grants Receipts in Advance		(29,485)	(26,648)
Long Term Liabilities		**(1,525,900)**	**(1,891,143)**
Net Assets		**282,682**	**(22,727)**
Usable Reserves	11	221,133	209,025
Unusable Reserves	11	61,549	(231,752)
Total Reserves		**282,682**	**(22,727)**

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Group Cash Flow Statement

	31 March 2016 £000s	31 March 2017 £000s
Net (surplus) or deficit on the provision of services	**71,037**	**72,216**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(221,124)	(235,369)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	104,610	166,740
Net cash flows from Operating Activities (note i)	(45,477)	3,587
Investing Activities (note ii)	63,078	32,757
Financing Activities (note iii)	(1,038)	(34,210)
Net (increase) or decrease in cash and cash equivalents	**16,563**	**2,134**
Cash and cash equivalents at the start of the year	**78,150**	**61,587**
Cash and cash equivalents at the end of the year (note 8)	**61,587**	**59,453**

Notes to the Group Cash Flow Statement

i. Operating Activities

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

	2015-16 £000s	2016-17 £000s
Interest received	(2,045)	(2,311)
Interest paid	33,466	33,138

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

	2015-16 £000s	2016-17 £000s
Depreciation	(53,325)	(61,403)
Impairment and downward valuations	(282)	(23,647)
Increase/(decrease) in creditors	(13,082)	(15,794)
(Increase)/decrease in debtors	(17,065)	18,101
Movement in Pension Liability	(47,382)	(25,829)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(88,481)	(113,848)
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,507)	(12,949)
	(221,124)	**(235,369)**

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

	2015-16 £000s	2016-17 £000s
Capital grants credited to the deficit on the provision of services	101,768	184,043
Proceeds from short term (not considered to be cash equivalents) and long term investments	(116)	(21,551)
Proceeds from the sale of property, plant and equipment	2,087	3,153
Other items for which the cash effects are investing or financing activities	871	1,095
	104,610	**166,740**

ii. Investing Activities

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

	2015-16 £000s	2016-17 £000s
Purchase of property, plant and equipment, investment property and intangible assets	143,246	171,379
Purchase of short term and long term investments	12,010	0
Other payments for investing activities	11,635	49,372
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,703)	(5,932)
Other receipts from investing activities	(100,110)	(182,062)
Net cash flows from investing activities	**63,078**	**32,757**

iii. Financing Activities

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

	2015-16 £000s	2016-17 £000s
Cash receipts of short term and long term borrowing	(15,106)	(46,250)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,908	3,668
Repayments of short term and long term borrowing	9,860	7,864
Other payments from financing activities	300	508
Net cash flows from financing activities	**(1,038)**	**(34,210)**

Notes to the Group Accounts

1. Accounting Policies

1.1 General Principles

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

1.2 Joint Ventures

A joint venture is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement.

1.3 Business combinations

Business combinations occurring on or after 1 February 2009 are accounted for using the acquisition method under the revised IFRS 3 Business Combinations (IFRS 3R). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

1.4 Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated, without discounting, based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

1.5 Goodwill

Goodwill arises from the acquisition of a controlling interest in various companies within the group accounts. It represents the excess cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed annually for impairment and any impairment is recognised in the Comprehensive Income and Expenditure Statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

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

The income and expenses of the Council's subsidiary companies are consolidated in the Statement on a line by line basis.

The exceptional items included in the Group CIES are amounts included in the Norse accounts and relate to:

	£000s
Redundancy costs	690
Provisions for claims	3,290
Exceptional project losses	3,023
Total in Service Expenditure	7,003
Termination of NPS North East pension obligation	(4,538)
Total in Service Income	(4,538)
Net Total	**2,465**

The consolidation adjustment in the total for Financing and Investment Income and Expenditure is due to:

	2015-16 £000s	2016-17 £000s
Interest payable and similar charges	1,052	1,113
Net interest cost and on the net defined benefit liability	1,634	973
Interest receivable and similar income	(65)	(106)
Total for Norse Group Ltd and Independence Matters	**2,621**	**1,980**

3. Tax Expenses of Group Entities

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

	2015-16 £000s	2016-17 £000s
Tax in respect of the current year	1,258	359
Deferred tax in respect of the current year (retirement benefit obligations)	(344)	(90)
Deferred tax on actuarial loss/gain for the year	5,348	759
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	0	(127)
Total Taxation Expenses	**6,262**	**901**

4. Property, Plant and Equipment

Movements in 2016-17 on Group assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s
Cost or Valuation							
At 1 April 2016	853,596	119,607	912,713	0	105,181	15,514	2,006,611
Adjustments between cost/value & depreciation/impairment	35	(1,317)	0	0	806	0	(476)
Additions	12,219	12,354	45,093	0	114,619	2,069	186,354
Revaluation increases/(decreases):							
- to Revaluation reserve	59,428	0	0	1	0	3,000	62,429
- to surplus or deficit on provision of services	(9,976)	0	0	0	0	(1,094)	(11,070)
Derecognition - disposals	(116,640)	(10,906)	0	0	0	(6)	(127,552)
Derecognition - other	0	0	(1,224)	0	0	0	(1,224)
Assets reclassified (to)/from Held for Sale	(25)	0	0	(1)	0	(2,549)	(2,575)
Reclassifications and transfers	47,428	2,344	6,061	13	(73,381)	3,596	(13,939)
At 31 March 2017	**846,065**	**122,082**	**962,643**	**13**	**147,225**	**20,530**	**2,098,558**
Accumulated Depreciation and Impairment							
At 1 April 2016	79,104	58,101	233,569	0	(48)	9,248	379,974
Adjustments between cost/value & depreciation/impairment	35	(1,369)	0	0	48	0	(1,286)
Depreciation charge	25,777	11,343	24,255	0	0	14	61,389
Depreciation written out to Revaluation reserve	(8,923)	0	0	0	0	(3)	(8,926)
Depreciation written out on revaluation to surplus or deficit on provision of services	(23,871)	0	0	0	0	(8)	(23,879)
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	145	0	0	0	0	0	145
- the surplus or deficit on provision of services	29,386	0	0	0	0	2,069	31,455
Derecognition - disposals	(4,234)	(9,543)	0	0	0	0	(13,777)
Derecognition - other	0	0	(1,223)	0	0	0	(1,223)
Reclassifications and transfers	(10)	261	0	0	0	9	260
At 31 March 2017	**97,409**	**58,793**	**256,601**	**0**	**0**	**11,329**	**424,132**
Net Book Value:							
At 31 March 2017	**748,656**	**63,289**	**706,042**	**13**	**147,225**	**9,201**	**1,674,426**
At 31 March 2016	774,492	61,506	679,144	0	105,229	6,266	1,626,637

Movements in 2015-16 on Group assets:

Cost or Valuation	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s
At 1 April 2015	848,588	113,125	832,852	1	132,424	19,876	1,946,866
Additions	5,494	22,754	50,375	0	62,600	0	141,223
Revaluation increases/(decreases):							
- to Revaluation reserve	14,730	0	0	0	0	3,197	17,927
- to surplus or deficit on provision of services	2,222	0	0	0	0	(2,143)	79
Derecognition - disposals	(88,154)	(16,353)	0	(1)	(20)	(202)	(104,730)
Assets reclassified (to)/from Held for Sale	52	0	0	0	0	(1,266)	(1,214)
Reclassifications and transfers	70,664	81	29,486	0	(89,823)	(3,948)	6,460
At 31 March 2016	**853,596**	**119,607**	**912,713**	**0**	**105,181**	**15,514**	**2,006,611**
Accumulated Depreciation and Impairment							
At 1 April 2015	68,572	62,253	211,156	0	(48)	9,651	351,584
Depreciation charge	19,409	11,399	22,438	0	0	80	53,326
Depreciation written out to Revaluation reserve	(2,330)	0	0	0	0	(48)	(2,378)
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,646)	0	0	0	0	(219)	(6,865)
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	126	0	0	0	0	0	126
- the surplus or deficit on provision of services	1,867	0	0	0	0	0	1,867
Derecognition - disposals	(2,121)	(15,552)	0	0	0	(13)	(17,686)
Reclassifications and transfers	227	1	(25)	0	0	(203)	0
At 31 March 2016	**79,104**	**58,101**	**233,569**	**0**	**(48)**	**9,248**	**379,974**
Net Book Value:							
At 31 March 2016	**774,492**	**61,506**	**679,144**	**0**	**105,229**	**6,266**	**1,626,637**
At 31 March 2015	780,016	50,872	621,696	1	132,472	10,225	1,595,282

Capital Commitments

The Norse Group Ltd have capital expenditure commitments of £1.584m as at 31 March 2017.

Details of the Council's capital commitments are shown in Note 14 to the Single Entity accounts.

5. Intangible Assets

The movement on the Group balances during the year:

	2015-16			2016-17		
	Other Intangible Assets	Goodwill	Total	Other Intangible Assets	Goodwill	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at the start of the year:						
- Gross carrying amounts	6,522	4,673	**11,195**	6,824	4,783	**11,607**
- Accumulated amortisation	(4,922)	(386)	**(5,308)**	(5,592)	(386)	**(5,978)**
Net carrying amount at the start of the year	**1,600**	**4,287**	**5,887**	**1,232**	**4,397**	**5,629**
Additions (purchases)	302	0	**302**	295	0	**295**
Disposals	0	0	**0**	(15)	0	**(15)**
Impairment losses	0	110	**110**	(51)	0	**(51)**
Amortisation for the period	(670)	0	**(670)**	(516)	0	**(516)**
Other Changes	0	0	**0**	217	0	**217**
Net carrying amount at the end of the year	**1,232**	**4,397**	**5,629**	**1,162**	**4,397**	**5,559**
Comprising:						
- Gross carrying amounts	6,824	4,783	**11,607**	5,197	4,783	**9,980**
- Accumulated amortisation	(5,592)	(386)	**(5,978)**	(4,035)	(386)	**(4,421)**
	1,232	**4,397**	**5,629**	**1,162**	**4,397**	**5,559**

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

6. Inventories

Consumable Stores	2015-16	2016-17
	£000s	£000s
Balance outstanding at start of year	**2,534**	**2,941**
Purchases	31,644	27,046
Recognised as an expense in year	(31,237)	(26,436)
Balance outstanding at year end	**2,941**	**3,551**

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).

	Long Term Debtors		Short Term Debtors	
	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s
Central Government bodies	0	0	9,482	9,916
Other local authorities	0	0	38,265	45,038
Public Corporations	0	0	0	42
NHS bodies	0	0	12,649	13,391
Prepayments	0	0	23,441	19,878
Other entities and individuals	11,253	50,074	66,454	70,599
Group Total	**11,253**	**50,074**	**150,291**	**158,864**

8. Cash and Cash Equivalents

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

	31 March 2016 £000s	31 March 2017 £000s
Single Entity Cash and Bank balances	(731)	(6,952)
Subsidiary cash and bank balances	10,289	8,122
Short term deposits with the Money Market	52,029	58,283
Total Group Cash and Cash Equivalents	**61,587**	**59,453**

9. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The long term creditor total of £5.448m in the balance sheet represents deferred grant income towards capital projects in the Norse accounts.

	Short Term Creditors	
	31 March 2016 £000s	31 March 2017 £000s
Central Government bodies	14,148	12,828
Other local authorities	13,865	14,188
NHS bodies	6,677	3,114
Public Corporations and Trading Funds	0	42
Receipts in advance	2,861	2,644
Other entities and individuals	152,297	162,724
Group Total	**189,848**	**195,540**

10. Defined Benefit Pension Schemes

Norse Group Ltd is a participating employer in a number of multi-employer Local Government Pension Schemes, the main one being the Norfolk Pension Fund. The transactions for Norse Group Ltd relating to their defined benefit pension schemes have been added to those of the Council and reported in the same manner as in the single entity accounts except that the company's liabilities are reflected in their usable reserves (retained earnings) via the Group Movement in Reserves Statement.

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

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

	2015-16 £000s	2016-17 £000s
Group Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	76,500	64,424
Past service costs/(gain)	1,495	1,277
(Gain)/loss from settlements	(4,270)	(10,000)
Financing and Investment Income and Expenditure:		
Net interest expense	26,697	21,381
Total post employment benefit charged to the Surplus of Deficit on the Provision of Services	100,422	77,082
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined pension liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(13,003)	138,239
Actuarial gains and losses arising on changes in demographic assumptions	23,175	(15,633)
Actuarial gains and losses arising on changes in financial assumptions	209,649	(440,904)
Other (if applicable)	32,120	40,470
Total post employment benefit charged to the Group Comprehensive Income and Expenditure Statement		
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(100,422)	(77,082)
Actual amount charged against Usable reserves for pensions for the year:		
Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	59,845	60,215

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:

	2015-16	2016-17
	£000s	£000s
Present value of the defined benefit obligation	(2,400,342)	(2,858,801)
Fair value of plan assets	1,784,978	1,953,284
Net liability arising from defined benefit obligation	**(615,364)**	**(905,517)**

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

	2015-16	2016-17
	£000s	£000s
Balance at 1 April	**2,570,008**	**2,400,342**
Current service cost	76,500	64,424
Interest cost	82,036	83,358
Contributions by scheme participants	15,371	15,017
Remeasurement gains and losses:		
Actuarial gains and losses arising on changes in demographic assumptions	(23,175)	15,633
Actuarial gains and losses arising on changes in financial assumptions	(209,649)	440,904
Other (if applicable)	(32,120)	(40,470)
Past service costs/(gain)	1,495	1,277
Losses /(gains) on curtailments	(9,837)	(18,140)
Benefits paid	(70,287)	(76,555)
Termination in respect of NPS North East Limited	0	(26,989)
Balance at 31 March	**2,400,342**	**2,858,801**

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

	2015-16	2016-17
	£000s	£000s
Opening fair value of scheme assets	**1,743,281**	**1,784,978**
Interest income	55,339	61,977
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	(13,003)	138,239
Employer contributions	59,845	60,215
Contributions by scheme participants	15,371	15,017
Benefits paid	(70,288)	(76,551)
Other (gain/loss from settlements)	(5,567)	(8,140)
Termination in respect of NPS North East Limited	0	(22,451)
Balance at 31 March	**1,784,978**	**1,953,284**

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 39.

11. Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 95. The reserves of the subsidiaries include:

	Usable Reserves	Unusable Reserves		
	Retained Earnings	**Capital Contribution Reserve**	**Revaluation Reserve**	**Total Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April	**4,476**	**16,200**	**682**	**16,882**
Profit/(Loss) for the year	1,803	0	0	0
Actuarial loss in respect of defined benefit pension schemes	(17,068)	0	0	0
Deferred tax in respect of defined benefit pension schemes	2,635	0	0	0
Balance at 31 March	**(8,154)**	**16,200**	**682**	**16,882**

12. Leasing

(i) Finance Leases

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

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

Group	**31 March 2016**	**31 March 2017**
	£000s	**£000s**
Land and buildings	8,724	9,296
Vehicles, plant and equipment	7,259	9,408
Heritage Assets	2,270	2,270
Group Total	**18,253**	**20,974**

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

Group	**31 March 2016**	**31 March 2017**
	£000s	**£000s**
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,462	2,519
Non current	6,252	6,917
Finance costs payable in future years	812	692
Minimum lease payments	**9,526**	**10,128**

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

Group	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000s	£000s	£000s	£000s
Not later than one year	2,781	2,479	2,462	2,519
Later than one year and not later than five years	3,906	6,376	5,339	6,185
Later than five years	2,839	837	1,303	1,167
	9,526	**9,692**	**9,104**	**9,871**

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

(ii) Operating Leases

Vehicles, Plant and Equipment:

Norse Group Ltd - The group uses leased vehicles, plant and equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2016-17 was £3.608m (£1.899m in 2015-16). The company also leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2016-17 were £1.678m (£1.871m in 2015-16).

Details of the Council's leases are shown in Note 35 on page 75.

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

	31 March 2016	31 March 2017
	£000s	£000s
Not later than one year	4,578	4,234
Later than one year and not later than five years	13,718	9,613
Later than five years	11,092	10,016
Total	**29,388**	**23,863**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £5.709m (£3.618m in 2015-16).

13. Financial Instruments

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

		Long Term		Current	
		31 March 2016	31 March 2017	31 March 2016	31 March 2017
		£000s	£000s	£000s	£000s
Investments:					
Loans and receivables		77	0	126,206	101,462
Available for sale financial assets	(i)	1,238	1,238	0	0
Total included in Investments		**1,315**	**1,238**	**126,206**	**101,462**
Debtors					
Loans and receivables	(ii)	8,956	59,939	98,638	107,596
Soft Loans (legal charges on property)	(iii)	2,297	1,366	581	324
Total included in Debtors		**11,253**	**61,305**	**99,219**	**107,920**

	Long Term		Current	
	31 March 2016	**31 March 2017**	**31 March 2016**	**31 March 2017**
	£000s	**£000s**	**£000s**	**£000s**
Borrowings:				
Financial liabilities at amortised cost	509,810	529,946	13,606	25,790
Total included in Borrowings	**509,810**	**529,946**	**13,606**	**25,790**
Other Long Term Liabilities				
PFI liabilities	54,201	53,349	750	853
Finance lease liabilities	6,642	7,067	2,462	2,369
Total Other Long Term Liabilities	**60,843**	**60,416**	**3,212**	**3,222**
Creditors				
Financial liabilities at amortised cost	2,197	16,679	151,990	159,838
Total included in Creditors	**2,197**	**16,679**	**151,990**	**159,838**

(i) The available for sale assets are the Council's investments in Norwich Airport (£1.236m) and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657 (£0.002m). None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

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

(iii) The soft loans represent the total of deferred payment agreements made prior to 1 April 2015 where residential care clients exercised their option to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value shown includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%). 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 will not be soft loans.

Norfolk Pension Fund Accounts

Introduction

This section provides details of the accounts of the Local Government Pension Fund for the year ending 31 March 2017.

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 have been considered by the Pensions Committee at its meeting on 6 September 2016 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 2016-17 (the Code of Practice) requires authorities to account for pension funds in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations detailed in the Code of Practice.

The accounting statements in this section comprise:

- Revenue and Fund Account – shows the changes in net assets available for benefits, including income to and expenditure from the fund relating to scheme members and to the investment and administration of the fund
- Net Assets Statement – discloses the type and value of the assets available at the year end to meet benefits
- Notes to the accounts – provide additional information including a description of the fund, a summary of the significant applicable accounting policies, and supporting information on the figures included in the accounts.

A list of participating employers is included at the end of this section.

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

The auditor’s opinion, once given, will be inserted here.

Revenue and Fund Account for the year ended 31 March 2017

	Note	2015-16 £000s	2016-17 £000s
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	125,625	129,919
Transfers in from other pension funds	8	5,130	7,961
		130,755	**137,880**
Benefits	9	(125,516)	(127,124)
Payments to and on account of leavers	10	(12,636)	(4,576)
		(138,152)	**(131,700)**
Net additions/withdrawals from dealings with members		**(7,397)**	**6,180**
Management expenses	11	(15,674)	(17,183)
Net additions/withdrawals from dealings with members including Fund Management Expenses		(23,071)	(11,003)
Returns on investments			
Investment income	12	65,301	61,663
Taxes on income	13a	(257)	(272)
Profit and losses on disposal of investments and changes in the market value of investments	15a	(86,045)	474,061
Net return on investments		**(21,001)**	**535,452**
Net increase/decrease in the net assets available for benefits during the year		**(44,072)**	**524,449**
Opening net assets of the scheme		**2,948,870**	**2,904,798**
Closing net assets of the scheme		**2,904,798**	**3,429,247**

Net Assets Statement at 31 March 2017

	Note	2015-16	2016-17
		£000s	£000s
Investment assets	15	2,893,172	3,414,886
Investment liabilities	15	(5,860)	(5,484)
		2,887,312	**3,409,402**
Long term Debtors	20	5,645	4,541
		5,645	**4,541**
Current Assets			
Debtors	20	16,956	16,535
Cash in hand		2,768	6,233
		19,724	**22,768**
Current Liabilities			
Creditors	21	(7,883)	(7,464)
		(7,883)	**(7,464)**
Net Current Assets		**11,841**	**15,304**
Net Assets of the Fund available to fund benefits at the period end		**2,904,798**	**3,429,247**

The Fund accounts and the net assets statement do not take account of liabilities to pay pensions and other benefits after the period end. The ability to meet these future liabilities is considered by the Fund Actuary as part of the triennial formal valuation process. Information relating to the valuation of these liabilities is shown in note 19.

Notes to the Accounts

1. Description of the Fund

The Norfolk Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by Norfolk County Council ("the Administering Authority"). The Administering Authority is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Norfolk Pension Fund Annual Report 2016-17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pension Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

(a) General

The fund is governed by the Public Service Pension 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 Pension 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 322 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below: This is an increase of 60 employers since 31 March 2016.

	31 March 2016	31 March 2017
Number of Employers with Active Members	**262**	**322**
Full membership including employers with deferred and legacy pension commitments		
Number of Employees in Scheme		
Norfolk County Council	14,655	13,606
Other Employers	13,375	14,863
Total	**28,030**	**28,469**
Number of Pensioners		
Norfolk County Council	11,618	12,080
Other Employers	10,597	11,140
Total	**22,215**	**23,220**
Deferred Pensioners		
Norfolk County Council	19,486	19,946
Other Employers	12,991	14,270
Total	**32,477**	**34,216**

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. 4Children 2. Bradwell Parish Council 3. Great Yarmouth Community Trust	1. Aslacton Primary School 2. Banham Community Primary School 3. Barford & Wramplingham PC 4. Barnham Broom Parish Council 5. Bawdeswell Community Primary School 6. Beeston Primary School 7. Bishop's Primary School 8. Blenheim Park Primary School 9. Bunwell Primary School 10.Caterlink (CNS) 11.Cawston Primary School 12.Charles Darwin Primary School 13.Cranworth Parish Council 14.Dussindale Primary School 15.East City Childrens Centre 16.Edward Worlledge Primary School 17.Edwards & Blake (Wymondham Academy) 18.Edwards + Blake (Caister Academy) 19.Edwards + Blake (Marham Infant) 20.Edwards + Blake (Reepham High) 21.Firside Junior School 22.Garrick Green Academy School 23.Garvestone Primary School 24.Glebeland Primary School 25.Grove House Nursery and Infant 26.Heacham Infant School 27.Heacham Junior School 28.Henderson Green Primary Academy 29.Hillside Avenue Primary and Nursery School 30.Hoveton Parish Council 31.King's Park Infant School 32.Lodge Lane Infant School 33.Manor Field Infant Nursery School 34.Marlingford and Colton Parish Council 35.Neatherd High School 36.New Buckenham Parish Council 37.Newton Flotman Parish Council 38.North Wootton Community School 39.Old Buckenham Primary School 40.Ovington Parish Council 41.Reepham Primary School 42.Reepham Town Council 43.Rudham Church of England Primary School 44.Scoulton Parish Council 45.Smithdon High School

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
	46.South Walsham Parish Council 47.St Augustine's Catholic Primary School 48.St Edmunds Academy 49.St Francis of Assisi Catholic Primary School 50.St Mary & St Peter Catholic Primary School 51.Strumpshaw Parish Council 52.Thorpe St Andrew School and 6th Form 53.Trafalgar College 54.Upwell Community Primary School 55.Valley Primary Academy 56.Walpole Cross Keys Primary School 57.Walsingham Parish Council 58.Watton Town Council 59.Watton Westfield Infant & Nursery School 60.Weasenham Church of England Primary School 61.Winterton on Sea Parish Council 62.Wroughton Infant Academy 63.Wroughton Junior Academy

A full list of participating employers is shown on page 153.

(c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2017, 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 full-time equivalent pensionable salary.

Banding depends on a member's actual annual pay rate. The table below shows the bands for 2016-17 and 2017-18.

Actual Pensionable Pay 2016-17	Contribution rate per year 2016-17	Actual Pensionable Pay 2017-18	Contribution rate per year 2017-18
Up to £13,600	5.5%	Up to £13,700	5.5%
£13,601 to £21,200	5.8%	£13,701 to £21,400	5.8%
£21,201 to £34,400	6.5%	£21,401 to £34,700	6.5%
£34,401 to £43,500	6.8%	£34,701 to £43,900	6.8%
£43,501 to £60,700	8.5%	£43,901 to £61,300	8.5%
£60,701 to £86,000	9.9%	£61,301 to £86,800	9.9%
£86,001 to £101,200	10.5%	£86,801 to £102,200	10.5%
£101,201 to £151,800	11.4%	£102,201 to £153,300	11.4%
More than £151,800	12.5%	More than £153,301	12.5%

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

The March 2016 valuation set the rates payable by employers for the period 1st April 2017 to 31st March 2020. Excluding lump sum deficit recovery payments these rates range from 0% to 35.0% of actual pensionable pay.

(d) Benefits

Pension benefits under the LGPS (until March 2014) were based on final pensionable pay and length of pensionable service. From 1st 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 £1of pension given up	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £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 2017 is 1.0% (-0.1% April 2016).

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 2016-17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 approach, is disclosed at note 19 of these accounts.

The accounts have been prepared on the normal accruals basis of accounting other than in respect of transfer values.

Generally transfer values are prepared on a cash basis. Where a transaction in respect of a transfer out has already been processed through the pensions administration system but not through the accounts payable system a creditor will be shown.

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

i) Administrative expenses

All administrative expenses are accounted for on an accruals basis. All costs incurred in respect of the administration of the Fund by the Administering Authority are charged to the Fund. These include staff, accommodation and IT costs.

ii) Oversight and Governance Costs

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

iii) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fund Manager fees are broadly based on the market value of the assets under management and therefore increase or reduce as the value of these investments change. Fees payable to external investment managers and the custodian are in accordance with the contractual agreements with the Fund.

In addition the Fund has agreements with the following managers that an element of their fee is performance related:

Manager	Asset Class
Henderson Global Investors	Fixed Income
Fidelity (part year)	Overseas Equities
Baillie Gifford & Co	UK Equities
Capital International	Global Equities

	2015-16 £000s		2016-17 £000s
Performance-related fees	1,056		528

Where an investment managers' fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year plus any appropriate performance allowance is used for inclusion in the Fund account.

	2015-16 £000s		2016-17 £000s
Value of fees based on estimates	3,224		2,579

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 16d). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

(h) Freehold and leasehold properties

The direct property holding was valued as at 31 March 2016. The direct property holding is valued every 3 years at the year-end date in line with the triennial valuation of the Fund. The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The next valuation will be as at 31 March 2019.

(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 19).

(n) Additional voluntary contributions (AVCs)

The Fund has three appointed providers of AVCs; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors).

AVCs are held by the providers and do not form part of the Fund's assets. These amounts are not included in the main fund accounts in accordance with Regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 but are disclosed as a note only (note 22).

Members participating in these arrangements receive an annual statement at 31 March each year showing the amount held in their account and the movements in the year. Contributions are deducted from member salaries by their employer and paid directly to the AVC providers. AVCs may be used to fund additional retirement benefits or to purchase additional life cover at a level higher than that provided by the main scheme.

Upon retirement the value of an individual AVC account may be used in some or all of the following ways depending on the circumstances of the retiring member:

i) Buy an annuity from a third party provider.
ii) Buy an annuity within the LGPS.
iii) Take some of or the entire accumulated AVC fund as cash, if within limits set down in the scheme regulations and by HMRC.
iv) Under certain specific circumstances buy extra membership within the LGPS (this is a legacy right associated with some members only)

Accounting Standards issued but not yet adopted

(o) The 2016-17 and 2017-18 Code of Practice on Local Authority Accounting lists a number of accounting standards that have been issued but not yet adopted. Having considered all the standards the Fund has determined there is no material impact on the accounts and no additional disclosure is required.

Contingent assets and contingent liabilities

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

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

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

4. Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Funds managed by HarbourVest are subject to full valuations at 31 March each year. Standard Life funds are valued at 31 December and rolled forward for cash flows to 31 March.

	2015-16 £000s		**2016-17 £000s**
Value of unquoted private equity	183,489		205,619

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The assumptions underpinning the valuations are agreed with the actuary and are summarised in note 18. In accordance with IAS26 the fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits (see note 19). Actuarial methodology used in triennial valuations is different from that used in IAS26, therefore they will produce different liability values at a common valuation date.

The liability estimates in notes 18 and 19 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits (measured under IAS26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on	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:

Sensitivity to the assumptions for the year ended 31 March 2017	**Approximate % increase to liabilities**	**Approximate monetary amount (£m)**
0.5% p.a. increase in the Pension Increase Rate	8%	383

Item	Uncertainties	Effect if actual results differ from assumptions		
	pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	0.5% p.a. increase in the Salary Increase Rate 0.5% p.a. decrease in the Real Discount Rate .	2% 10%	99 490
Private Equity	Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £205.6 million. There is a risk that this investment may be under or overstated in the accounts.		

6. Events after the Balance Sheet Date

There have been no events since 31 March 2017, and up to the date when these accounts were authorised, which require any adjustments to these accounts. However the Fund is planning to implement a small range of investment strategies over time, with employers allocated to the investment strategy which is most appropriate given their funding level and funding objective. This is a change from the Fund's current approach of operating a single investment strategy for all employers

7. Contributions receivable

	2015-16	2016-17
By Category	**£000s**	**£000s**
Employers – normal	94,664	99,924
Employers – special	293	192
Employers – augmentation	1	0
Employers – strain	2,946	1,820
Members – normal	27,014	27,380
Members – purchase of additional scheme benefits	707	603
Total	**125,625**	**129,919**

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.

	2015-16	2016-17
	£000s	**£000s**
Deficit recovery contributions included in employer normal contributions	27,499	31,539
Total	**27,499**	**31,539**

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.

	2015-16	2016-17
By Authority	**£000s**	**£000s**
Administering authority	53,895	55,329
Other scheduled bodies	45,851	49,519
Community admission bodies	6,240	6,311
Transferee admission bodies	2,874	2,674
Resolution bodies	16,765	16,086
Total	**125,625**	**129,919**

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:

	2015-16	2016-17
	£000s	**£000s**
Strain instalments due after the balance sheet date	113	62
Total	**113**	**62**

The debtors figure for augmentation/strain due in note 20 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2017.

8. Transfers in from other Pension Funds

	2015-16	2016-17
	£000s	**£000s**
Individual transfers	5,130	7,961
Total	**5,130**	**7,961**

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.

	2015-16	2016-17
	£000s	£000s
HMCS total present value	6,530	5,318
Total	**6,530**	**5,318**

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

	2015-16	2016-17
By Category	**£000s**	**£000s**
Pensions	100,846	103,970
Commutation and lump sum retirement benefits	20,984	20,674
Lump sum death benefits	3,686	2,480
Total	**125,516**	**127,124**
By Authority		
Administering authority	58,765	60,199
Other scheduled bodies	46,798	45,406
Community admission bodies	5,689	5,268
Transferee admission bodies	3,443	3,309
Resolution bodies	10,821	12,942
Total	**125,516**	**127,124**

10. Payments to and on account of leavers

	2015-16	2016-17
	£000s	£000s
Group transfers	7,239	126
Refunds to members leaving service	165	341
Individual Transfers out to other Schemes	5,232	4,109
Total	**12,636**	**4,576**

The 2016-7 Group Transfers figure is made up of one transfer in respect of Great Yarmouth Borough Council. The 2015-16 Group Transfers figure includes three transfers out of all active, deferred and pensioner members to the Royal Borough of Kingston Upon Thames Pension Fund, Cambridgeshire County Council Pension Fund and the London Pension Fund Authority.

11. Management Expenses

Pension fund management expenses for 2016-17 are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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

	2015-16 £000s	2016-17 £000s
Administrative costs	1,766	1,684
Investment managements expenses (see note14)	13,371	14,601
Oversight and governance costs	537	898
Total	15,674	17,183

The Local Government Pension Scheme Regulations enables administration expenses (including Oversight and Governance) to be charged to the Fund. The increase in the Oversight and governance expenses is mainly due to the cost of the 2016 triennial valuation.

Investment management expenses are analysed further in note 14.

12. Investment Income

	2015-16 £000s	2016-17 £000s
Income from fixed interest securities	6,327	0
Equity dividends	20,872	22,542
Pooled property investments	14,059	13,043
Pooled fund income- Unit trusts and other managed funds	14,097	15,713
Private equity income	3,698	2,895
Pooled funds rebate	5,963	6,607
Stock lending	112	251
Interest on cash deposits	98	243
Property (Note 12a)	36	36
Windfall Tax	0	295
Other	39	38
Total Investment Income	**65,301**	**61,663**

The Windfall Tax amount in 2016-17 is made up of a number of legacy payments paid over by the Funds previous Custodian in respect of tax recovered but previously accounted as non-recoverable.

12(a) Property Income

	2015-16 £000s	2016-17 £000s
Rental income	36	36
Direct operating expenses	(1)	(2)
Net income	**35**	**34**

13. Other Fund Disclosures

13(a). Taxes on Income

	2015-16 £000s	2016-17 £000s
Withholding tax – equities	248	256
Withholding tax – pooled investments	9	16
	257	**272**

13(b). External Audit costs

	2015-16 £000s	2016-17 £000s
Payable in respect of external Audit	27	27
	27	**27**

14. Investment Expenses

	2015-16 £000s	2016-17 £000s
Management fees – invoiced ad valorem	6,724	7,991
Management fees – invoiced performance	1,056	528
Management expenses on unit trusts	1,306	1,545
Private Equity – fund of fund fees	3,509	3,227
Direct Property	1	2
Custody fees	55	58
Fees and Other Expenses	39	442
Transaction costs	681	808
Total	**13,371**	**14,601**

The increase in Fees and Other Expenses reflects a change in accounting process to capture some investment expenses gross rather than net and costs associated with the Governments Pooling agenda.

15. Investments

	Market Value 31 March 2016 £000s	Market Value 31 March 2017 £000s
Investment assets		
Equities	787,143	985,776
Pooled Investments	1,499,620	1,781,230
Pooled property investments	378,335	373,430
Private equity Partnerships	183,489	205,619

	Market Value 31 March 2016 £000s	Market Value 31 March 2017 £000s
Property	444	444
Derivatives - forward currency	3,238	7,248
Cash deposits	36,068	60,823
Amounts receivable for sales	4,835	316
Total investment assets	**2,893,172**	**3,414,886**
Investment liabilities		
Derivatives - forward currency	(4,442)	(4,877)
Amounts payable for purchases	(1,418)	(607)
Total investment liabilities	**(5,860)**	**(5,484)**
Net investment assets	**2,887,312**	**3,409,402**

15 (a) Reconciliation of Movements in Investments and Derivatives 2016-17

	Market value 31 March 2016 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2017 £000s
Equities	**787,143**	241,145	(258,278)	215,766	**985,776**
Pooled investments	**1,499,620**	143,025	(118,317)	256,902	**1,781,230**
Pooled property investments	**378,335**	53,345	(58,573)	323	**373,430**
Private equity	**183,489**	28,943	(51,153)	44,340	**205,619**
Property	**444**	0	0	0	**444**
	2,849,031	**466,458**	**(486,321)**	**517,331**	**3,346,499**
Derivative contracts:					
- Forward currency contracts	**(1,204)**	216,384	(167,243)	(45,566)	**2,371**
	(1,204)	**216,384**	**(167,243)**	**(45,566)**	**2,371**
Other investment balances:					
- Cash deposits	**36,068**			2,296	**60,823**
- Amount receivable for sales of investments	**4,835**				**316**
- Amount payable for purchases of investments	**(1,418)**				**(607)**
Net investment assets	**2,887,312**			**474,061**	**3,409,402**

15 (a) Reconciliation of Movements in Investments and Derivatives 2015-16

	Market value 31 March 2015 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2016 £000s
Fixed interest securities	**123,987**	8,077	(128,140)	(3,924)	0
Equities	**821,867**	231,091	(216,474)	(49,341)	**787,143**
Pooled investments	**1,306,655**	566,211	(380,160)	6,914	**1,499,620**
Pooled property investments	**339,470**	67,598	(49,561)	20,828	**378,335**
Private equity	**193,353**	31,450	(65,421)	24,107	**183,489**
Property	**454**	0	0	(10)	**444**
	2,785,786	**904,427**	**(839,756)**	**(1,426)**	**2,849,031**
Derivative contracts:					
- Futures	**(653)**	1,185	(474)	(58)	**0**
- Forward currency contracts	**2,570**	167,453	(139,048)	(32,179)	**(1,204)**
	1,917	**168,638**	**(139,522)**	**(32,237)**	**(1,204)**
Other investment balances:					
- Cash deposits	**58,766**			(52,382)	**36,068**
- Amount receivable for sales of investments	**54,472**				**4,835**
- Prepayment of investment Balances	**87,000**				**0**
- Amount payable for purchases of investments	**(57,567)**				**(1,418)**
Net investment assets	**2,930,374**			**(86,045)**	**2,887,312**

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Transaction costs incurred during 2016-17	£808,000
Transaction costs incurred during 2015-16	£681,000

15 (b) Analysis of Investments

	2015-16 £000s	2016-17 £000s
Equities		
UK		
Quoted	264,232	314,721
Overseas		
Quoted	522,911	671,055
	787,143	**985,776**
Pooled Funds – additional analysis		
Unit trusts	694,837	813,403
Unitised insurance policies	226,367	280,957
Other managed funds	381,788	449,931
	1,302,992	**1,544,291**
Overseas		
Unit trusts	196,628	236,939
	196,628	**236,939**
Pooled and Freehold Property, Private Equity and Derivatives		
Pooled property investments	378,335	373,430
Private equity	183,489	205,619
Direct Property	444	444
Derivatives – forward currency	3,238	7,248
	565,506	**586,741**
Other Investment Balances		
Cash deposits	36,068	60,823
Amounts receivable for sales	4,835	316
	40,903	**61,139**
Total investment assets	**2,893,172**	**3,414,886**
Investment liabilities		
Derivatives – forward currency	(4,442)	(4,877)
Amounts payable for purchases	(1,418)	(607)
Total investment liabilities	**(5,860)**	**(5,484)**
Net investment assets	**2,887,312**	**3,409,402**

15 (b) Analysis of Derivatives

Objectives and policies for holding derivatives

The holdings in derivatives are to hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreements between the fund and the investment managers holding mandates that permit the use of these instruments.

a) Futures

There were no outstanding exchange traded futures contracts or balances in respect of initial and variation margins arising on open futures contacts at the year-end included within cash balances

The Fund has 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 2017 (2016 nil).

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment opportunities, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a currency hedging programme in place. The hedging programme is managed between two currency managers, Berenberg Bank and Insight Investment (Pareto).

The Fund also requires Aviva to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex-UK) property funds. This hedging activity covers US Dollar, Euro, Yen and Australian Dollar exposures.

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.

Open forward currency contracts

Settlement	Currency bought	Local value 000s	Currency sold	Local value 000s	Asset value £000s	Liability value £000s
Up to one month	£	11,400	AUD	(18,473)	139	0
Up to one month	£	102,956	EUR	(118,166)	1,844	0
Up to one month	£	45,039	JPY	(6,300,641)	0	(195)
Up to one month	£	390,346	$	(481,743)	5,265	0
Up to one month	EUR	65,123	£	(56,603)	0	(878)
Up to one month	JPY	4,429,241	£	(177,384)	0	(133)
Up to one month	$	217,717	£	(34,620)	0	(3,352)
Between three and six months	£	29,402	EUR		0	(319)
Open forward currency contacts at 31 March 2017					**7,248**	**(4,877)**
Net forward currency contracts at 31 March 2017						**2,371**
Prior year comparative						
Open forward currency contacts at 31 March 2016					**3,238**	**(4,442)**
Net forward currency contracts at 31 March 2016						**(1,204)**

At the 31st March 2017, there was no collateral held or posted by the Fund against gains or losses on its Forward foreign currency contracts with Berenberg Bank. In 2015-16 £610,000 of collateral was posted by the Pension Fund. The collateral was repaid to the Pension Fund when the currency contracts settled during April

Contracts with a common underlying currency profile and similar maturity profile have been amalgamated for the purpose of disclosure. A key to the currencies referred to in the table is provided below:

Symbol / Acronym	Currency
£	British pounds (Sterling)
$	United States dollar
AUD	Australian dollar
EUR	Euro
JPY	Japanese yen

15 (b) Investments Analysed by Fund Manager

	Market Value 31 March 2016 £000s	%	Market Value 31 March 2017 £000s	%
Fidelity	484,519	16.77	583,459	17.11
Henderson Global Investors	364,915	12.64	410,650	12.04
Aviva Investors	381,609	13.22	389,953	11.44
Capital International Ltd	277,905	9.63	348,299	10.22
Legal & General Investment Management	226,367	7.84	280,957	8.24
Baillie Gifford & Co	231,013	8.00	275,347	8.08
M&G	217,544	7.53	257,974	7.57
Wellington International	173,428	6.01	227,222	6.66
Sarasin & Partners	171,990	5.96	220,709	6.47
Goldman Sachs Asset Management	167,805	5.81	196,978	5.78
HarbourVest Partners	120,940	4.19	152,041	4.46
SL Capital Partners	62,555	2.17	53,578	1.57
Global Custodian*	6,400	0.22	10,632	0.31
Berenberg Bank**	1,341	0.05	1,907	0.06
Insight Investment (Pareto)**	(1,019)	(0.04)	(304)	(0.01)
	2,887,312	**100.00**	**3,409,402**	**100.00**

All the above companies are registered in the United Kingdom.

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

** Currency hedging contracts in respect of the Fund's overseas equity holdings are reported in the Insight Investment (Pareto) and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable.

15 (b) Investments representing more than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2016 £000s	Percentage of Total Fund %	Market Value 31 March 2017 £000s	Percentage of Total Fund %
Legal & General UK Equity Index Fund	225,576	7.8	279,961	8.2
M&G Alpha Opportunities Fund	210,670	7.3	240,282	7.0
Goldman Sachs Global Strategic Income Bond Portfolio (SIF)	167,805	5.8	196,978	5.7
Fidelity Institutional Exempt America Fund	162,186	5.6	188,758	5.5
Fidelity Institutional Europe Fund	146,613	5.1	181,328	5.3

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Five pooled holdings (five in 2015-16) do 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:

- At 31 March 2017 the Legal and General UK Equity Index Fund held 646 (2016 653) stocks compared with the 632 (2016 641) stocks in the equity index that it tracks (FTSE all-share).
- As at 31 March 2017 the M&G Alpha Opportunities Fund has 363 positions, across 263 issuers.
- As at 31 March 2017 the Goldman Sachs SIF Fund held 1,345 (2016 1,089) individual positions.
- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 164 stocks at 31 March 2017 (2016 165).
- The Fidelity Institutional Europe Fund comprised 52 holdings at 31 March 2017 (2016 63).

The Legal & General investment is a unit linked contract of long term insurance ("the policy") issued by Legal & General Assurance (Pensions Management) Limited ("PMC"), to which units are allocated in the range of pooled investment funds operated as portfolios of assets ("PF Sections). The policy falls within Class 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. The value of the units in a PF Section are directly linked to the assets legally and beneficially owned by PMC and held in that PF section and units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at PMC's discretion, by a transfer of assets in specie). The value is incorporated into the net asset statement within other managed funds. The underlying assets are predominantly quoted UK equities but may also include uninvested cash and futures.

Within the Reconciliation of the Movements in Investments, the following investments represented more than 5% of the asset class or type at 31 March 2017:

Holding/Investment Type	Market Value 31 March 2017 £000s	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	279,961	15.72%
M&G Alpha Opportunities Fund	240,282	13.49%
Goldman Sachs Global Strategic Income Bond Portfolio	196,978	11.06%
Fidelity Institutional Exempt America Fund	188,758	10.06%
Fidelity Institutional Europe Fund	181,238	10.18%
Henderson Long Dated Credit Fund	151,095	8.48%
Fidelity Institutional Japan Fund	95,916	5.38%
Pooled property investments		
Industrial Property Investment Fund	37,241	9.97%
Blackrock UK Property Fund	35,904	9.61%
Lothbury Property Unit Trust	24,208	6.48%
Henderson Central London Office Property	24,076	6.45%
Standard Life UK Shopping Centre	19,966	5.35%
Private equity		
Harbourvest VIII Cayman Buyout Fund	37,770	18.37%
Standard Life European Strategic 2008	25,396	12.35%
Harbourvest VIII Cayman Venture Fund	24, 056	11.97%

Harbourvest IX Cayman Buyout Fund	20,067	9.76%
Harbourvest IX Cayman Venture Fund	14,912	7.25%
Standard Life European Strategic 2006	14,020	7.05%
VIII Dover Street Cayman Fund	11,232	6.82%
HIPEP VII Europe Feeder Fund L.P.	11,036	5.46%
HIPEP VI – Cayman Asia PA	11,027	5.37%
Standard Life European Strategic 2004	10,647	5.18%
Direct Property		
Hamlin Way, King's Lynn	444	100.00%

15 (c) Stock Lending

	31 March 2016	31 March 2017
	£000s	£000s
Value of quoted equities on loan	10,742	63,510
Value of un-quoted equities on loan	0	6,148
Fair value of collateral held by Custodian	11,595	7,589
Collateral relative to stock on loan (percentage coverage)	108%	106%

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

All loans are fully collateralised with government securities, bank letters of credit, certificates of deposit or UK equities settled in CREST. HSBC provides certain additional indemnifications as part of the lending agreement with them, to protect the Fund in the event of a borrower default coupled with a collateral shortfall relative to the defaulting position.

The maximum value of stock that may be on loan is £150m and an individual borrower limit (applied at the parent borrower level) of £25m is applied.

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

Asset Type	Value on loan at 31 March 2016 £000s	Value on loan at 31 March 2017 £000s
UK Equities	4,644	12,314
Overseas Equities	6,098	57,344

At 31 March 2017, securities were on loan to 7 separate borrowers representing 7 parent groups. The largest single parent exposure was 31% of the lending programme.

15 (d) Property Holdings

	Year ending 31 March 2016	Year ending 31 March 2017
	£000s	£000s
Opening Balance	454	444
Additions	0	0
Disposals	0	0
Net increase in market value	0	0
Other changes in fair value	(10)	0
Closing balance	**444**	**444**

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 (e) Fair Value – Basis of Valuation

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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equities	**Level 1**	**The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.**	**Not required**	**Not required**
FX	**Level 1**	**Market forward exchange rates at the year-end.**	**Exchange rate risk**	**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**	**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**	**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
		that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.	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).	
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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Delisted securities		**Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.**		
Securities subject to takeover		**Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs.**		

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Description of Asset	Asset Valuation Range (+/-)	Value at 31 March 2017	Value on Increase	Value on Decrease
		£000s	£000s	£000s
Pooled Property Investments	14.2%	373,874	426,964	320,784
Private Equity	28.5%	205,619	264,221	147,018
Total		**579,493**	**691,185**	**467,802**

16. Fair Value Hierarchy

16a. Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Private Equity

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Pooled Property

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

Freehold Property

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

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 (Agrees to table 15(a) excluding Other Investment Balances)

Values at 31 March 2017	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets				
Financial assets at fair value through profit and loss	993,024	1,781,230	579,049	3,353,303
Non-Financial assets at fair value through profit and loss (See Note 15d)	0	0	444	444
Financial liabilities at fair value through profit and loss	(4,877)	0	0	(4,877)
Net Investment Assets	**998,147**	**1,781,230**	**579,493**	**3,348,870**

Values at 31 March 2016	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets				
Financial assets at fair value through profit and loss	790,381	1,499,620	561,824	2,851,825
Non-Financial assets at fair value through profit and loss (See Note 15d)	0	0	444	444
Financial liabilities at fair value through profit and loss	(4,442)	0	0	(4,442)
Net Investment Assets	**785,939**	**1,499,620**	**562,268**	**2,847,827**

16b. Transfers between Levels 1 and 2

The Equity and debt Pooled Funds totalling £1,781.2m (£1,499.6m 2015-16) were re-classified from level 1 to level 2 during 2016-17 in accordance with the classification guidelines in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

16c. Reconciliation of Fair Value Measurements within Level 3

	Market value 1 April 2016	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 2017
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Pooled and Freehold Property Investments	378,335	444	0	53,345	(58,573)	(6,772)	7,095	373,874
Private Equity	183,489	0	0	28,943	(51,153)	15,240	29,100	205,619
	561,824	**444**	**0**	**82,288**	**(109,726)**	**8,468**	**36,195**	**579,493**

16(d) Financial Instruments - Classification

	31 March 2016			31 March 2017		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000s	£000s	£000s	£000s	£000s	£000s
Financial assets						
Equities	787,143			985,776		
Pooled Investments	1,499,620			1,781,230		
Pooled Property	378,335			373,430		
Private equity	183,489			205,619		
Derivative contracts	3,238			7,248		
Cash		38,836			67,056	
Other investment balances	9,290			4,728		
Debtors		98			31	
	2,861,115	**38,934**	**0**	**3,358,031**	**67,087**	**0**
Financial liabilities						
Derivative contracts	(4,442)			(4,877)		
Creditors			(5,476)			(5,005)
Other investment balances	(1,418)			(607)		
	(5,860)	**0**	**(5,476)**	**(5,484)**		**(5,005)**
	2,855,255	**38,934**	**(5,476)**	**3,352,547**	**67,087**	**(5,005)**

16(e) Net gains and losses on Financial Instruments

	31 March 2016 £000s	31 March 2017 £000s
Financial assets		
Fair value through profit and loss	82,680	689,241
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0

	31 March 2016 £000s	31 March 2017 £000s
Financial liabilities		
Fair value through profit and loss	(168,715)	(215,180)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	**(86,035)**	**474,061**

16 (f) Fair Value of Financial Instruments and Liabilities

In accordance with our accounting policies, financial assets and liabilities are included in the accounts on a fair value basis. The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

17. Nature and Extent of Risks Arising From Financial Instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. As there is an essential contradiction in these two aims the investment strategy aims to achieve an acceptable overall balance between "risk and reward". The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management and investments strategies rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objectives of the fund's risk management strategy are to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return at a given level of risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investment presents a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited but restrictions are in place on managers undertaking this activity.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Funds performance monitoring advisor, the Fund has determined that the following movements in market price risk are reasonably possible for the 2017-18 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Equities including pooled	15.80%
Overseas Equities including pooled	18.40%
UK Bonds including pooled	9.50%
Index Linked Gilts including pooled	9.00%
Bonds including pooled	7.10%
Cash and Cash Equivalents (Including Payables and Receivables)	0.00%
Pooled & Direct Property Investments	14.20%
Private Equity	28.50%
Total	**11.60%**

* The total % includes the impact of correlation across asset classes at an aggregate level.

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is also shown below):

Asset Type	Value as at 31 March 2017 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	62,903	0.00%	62,903	62,903
Investment Portfolio Assets:				
UK Equities including pooled	606,182	15.80%	701,959	510,405
Overseas Equities including pooled	1,294,475	18.40%	1,532,658	1,056,292
UK Bonds including pooled	731,033	9.50%	800,481	661,585
Index Linked Gilts including pooled	68,345	9.00%	74,496	62,194
Bonds including pooled	66,971	7.10%	71,726	62,216
Pooled & Direct Property Investments	373,874	14.20%	426,964	320,784
Private Equity	205,619	28.50%	264,220	147,018
Total Assets Available to Pay Benefits	**3,409,402**	**11.60%**	**3,804,893***	**3,013,911***

Asset Type	Value as at 31 March 2016 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	38,282	0.01	38,286	38,278
Investment Portfolio Assets:				
UK Equities including pooled	499,454	10.85	553,645	445,263
Overseas Equities including pooled	1,036,253	9.62	1,135,941	936,565
UK Bonds including pooled	61,191	7.17	65,578	56,804
Overseas Bonds including pooled	63,086	9.19	68,884	57,288
Index Linked Gilts including pooled	626,778	6.42	667,017	586,539
Pooled & Direct Property Investments	378,779	2.83	389,498	368,060
Private Equity Partnerships	183,489	8.32	198,755	168,223
Total Assets Available to Pay Benefits	**2,887,312**	**6.04**	**3,061,706***	**2,712,918***

* The % change for Total Assets includes the impact of correlation across asset classes, which lowers the total increase and increases the total decrease at an aggregate level.

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements through its gross cash holdings as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2016 £000s	Value as at 31 March 2017 £000s
Investment Cash Balances	36,068	60,823
Cash in hand	2,768	6,233
Total	**38,836**	**67,056**

Interest Rate Risk Sensitivity Analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied by the Administering Authority when considering risk in its own treasury management activities.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates:

Asset Type	Carrying Amount as at 31 March 2017	Change in year in the net assets available to pay benefits	
	£000s	+100 BPS £000s	-100 BPS £000s
Investment Cash Balances	60,823	608	(608)
Cash in hand	6,233	62	(62)
	67,056	**670**	**(670)**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (Sterling). The fund holds both monetary and non-monetary assets denominated in currencies other than Sterling and Sterling denominated pooled investment vehicles where the underlying assets are denominated in other currencies. As detailed in note 15b the Fund has various hedging strategies in place to reduce the impact of currency volatility on the Fund assets. The table below is prepared after consideration of the hedging strategies in place.

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the funds performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 3.6% 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 3.6% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows (values shown are for non-Sterling denominated assets were full hedging of currency risk is not in place):

Currency Exposure – Asset Type	Asset Value as at 31 March 2017	Change to net assets available to pay benefits	
	£000s	+3.6% £000s	-3.6% £000s
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,294,475	46,601	(46,601)
Private Equity	205,619	7,402	(7,402)
Change in net assets available to pay benefits		54,003	(54,003)

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. Money market funds that are used all have AAA rating from a leading ratings agency.

The non-investment cash holding was managed through the treasury management arrangements of the Administering Authority:

The credit exposure was as follows:

Summary	Short term Rating (S&P) 31 March 2016	Balances at 31 March 2016 £000s	Short term Rating (S&P) 31 March 2017	Balances at 31 March 2017 £000s
Bank Deposit Accounts				
Standard Life Money Market Fund			AAA	3,197
Barclays Bank PLC	A-2	1,373	A-2	3,198
HSBC	A-1+	1,374		
Bank current Accounts				
Barclays Bank (Co-op Bank 2014-15, part 2015-16)	A-2	10	A-2	(162)
Total		2,757		6,233

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 (Deutsche). The credit exposure on investment cash balances at 31 March 2017 comprise £60.8 million (£38.4m) deposited with AAA rated money market funds, £1.5 million (-£2.3m overdrawn) with the custodian HSBC (rated A-1+), £0 million (£1.8m) posted to a variation margin account held by Royal Bank of Scotland (rated A-3).

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The council has immediate access to its pension fund cash holdings, there were no deposits with fixed periods at 31 March 2017 (2016 nil).

Liquid Assets

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. The Fund classifies property (pooled and direct) and private equity partnerships in this category.

Balances at 31 March 2016 £000s	Percentage of Total Fund Assets %	Balances at 31 March 2017 £000s	Percentage of Total Fund Assets %
579,493	19.5	572,645	16.8%

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 2017 are due within one year.

Refinancing Risk

The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury and investment strategies.

18. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 (“The Regulations”), the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2016.

The funding policy is set out in the administering authority’s Funding Strategy Statement. The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are stable where appropriate;
- to minimise the long-term cost of the Fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet the expected future pension benefits payable. When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	Funded %	**Deficit £ millions**
2016 actuarial valuation	80%	710
2013 actuarial valuation	78%	705

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

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

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

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

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

The principal assumptions were:

Financial Assumptions at 31 March 2016

	% per annum Nominal	% per annum Real
Price inflation (CPI)	2.2	0
Pay increases	2.5	0.3
Investment return (Discount rate)	3.8	1.6

Mortality Assumptions

The Fund is member of Club Vita which provides bespoke set of longevity assumptions specifically tailored to the membership profile of the Fund. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

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

Commutation assumption

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

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

19. Actuarial Present Value of Promised Retirement Benefits

Under IAS26 the Fund is required to disclose the actuarial present value of promised retirement benefits. These represent the present value of the whole fund liabilities to pay future retirement benefits.

The required valuation is carried out by the Hymans Robertson LLP using a similar approach to that employed for individual participating employers reporting pension liabilities under either FRS17 or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

Under the IAS 19/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 18).

	31 March 2016 £000s	31 March 2017 £000s
Actuarial present value of promised retirement benefits	4,162,000	4,916,000
Fair Value of scheme assets (bid value)	2,904,798	3,429,247
Net Liability	**1,257,202**	**1,486,753**

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

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

Assumptions Used	31 March 2016 %	31 March 2017 %
Inflation/Pension Increase Rate Assumption	2.2	2.4
Salary Increase Rate	3.2	2.7
Discount Rate	3.5	2.6

20. Current Assets

	31 March 2016 £000s	31 March 2017 £000s
Cash In Hand		
Cash In Hand**	**2,768**	**6,233**
Debtors:		
Contributions due - employees*	1,964	1,930
Contributions due - employers*	8,215	6,667
Employers special contributions	13	1,407
Augmentation & strain due	1,033	783
Dividends receivable**	2,973	2,680
Pooled funds rebate due**	1,461	1,705
UK tax receivable	215	478
Overseas tax receivable	572	545
VAT refund due	390	278
Interest due**	3	7
Stock lending/commission recapture**	18	20
Recharge of fees**	34	21

	31 March 2016 £000s	31 March 2017 £000s
Prepayments	1	4
Sundry**	64	10
Debtors	**16,956**	**16,535**
Current Assets	**19,724**	**22,768**

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

** Cash and Debtors classed as financial instruments (assets) note 16a.

	31 March 2016 £000s	31 March 2017 £000s
Long term debtors:		
Employers contributions	5,532	3,914
Augmentation & strain due	113	627
	5,645	**4,541**

Long term debtors comprises of amounts not due to be paid to the Fund for a period of more than 12 months from the balance sheet date.

Analysis of Debtors

	31 March 2016 £000s	31 March 2017 £000s
Central government bodies	7,707	6,621
Other local authorities	6,026	5,885
Other entities and individuals	8,868	8,570
	22,601	**21,076**

21. Current Liabilities

	31 March 2016 £000s	31 March 2017 £000s
Creditors:		
Transfer values payable (leavers)	363	0
Benefits payable	1,009	1,422
Investment Management Fees**	3,224	2,579
Other Fees & Charges**	2,242	2,426
UK Taxation payable	1,035	1,037
Sundry creditors**	10	0
	7,883	**7,464**

** Creditors classed as financial instruments (liabilities) note 16a

Analysis of Creditors

	31 March 2016 £000s	31 March 2017 £000s
Central government bodies	1,035	1,035
Other local authorities	2,399	2,246
Other entities and individuals	4,449	4,183
	7,883	**7,464**

22. Additional Voluntary Contributions

The fund has three in-house AVC providers; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors). The value of AVC investments and contributions paid directly to the providers by scheme employers during the year is shown below.

	Market Value 31 March 2016 £000s	Market Value 31 March 2017 £000s
Separately Invested AVC Funds	4,904	5,272

	2015-16 £000s	2016-17 £000s
AVC contributions paid directly during the year	387	423

23. Related Party Transactions

Norfolk County Council

The Fund is administered by Norfolk County Council. Consequently there is a close relationship between the council and the Fund.

The council incurred costs in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

The 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.

	2015-16 £000s	2016-17 £000s
Norfolk County Council incurred administration and investment costs reimbursed by the fund	2,036	2,238
Norfolk County Council Employer Contributions	40,359	42,198

All monies owing to and due from the fund were paid within statutory timescales.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Norfolk County Council. The arrangement is managed through a service level agreement.

	2015-16 £000s	2016-17 £000s
Average investment balance held by NCC Treasury Management Operation	8,170	8,075
Interest earned on balances invested by NCC Treasury Management Operation	38	31

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. Declarations of interest are recorded in the minutes of each Committee meeting as part of the public record and a copy can be found on the Norfolk County Council website under Pension Committee papers at www.norfolk.gov.uk.

Personnel Employed in the Delivery of the Pensions Function by the Administering Authority

All employees of Norfolk County Council (other than those whose profession grants them access to other public service schemes) may join the Local Government Pension Scheme. This includes personnel employed in delivering the pensions function through the Norfolk Pension Fund. Benefits are accrued and employee contributions calculated on a standard national, statutory basis.

Disclosure of senior officer remuneration is made in note 30of 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.

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2016 £000s	31 March 2017 £000s
Private equity partnerships	140,255	210,163
Property investment vehicles	11,500	19,099
Pooled Debt Funds	19,161	14,032

At 31 March 2017 the Fund had made contractual commitments to private equity funds managed by SL Capital and HarbourVest Partners. Commitments are made in the underlying currency of the fund (Euros and 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 2017 is included in the net asset statement.

In addition to the private equity commitments, within the Aviva property portfolio there are unfunded commitments to various property investment vehicles. This total potentially includes Sterling and US Dollar denominated commitments as at 31st March 2017. The foreign exchange exposure on the funded portion of these positions is hedged within the Aviva portfolio but the unfunded commitments are impacted by exchange rate volatility. There are also commitments on the M&G Debt opportunities portfolio.

25. Contingent Assets

The Administering Authority holds charges on property, relating to funding agreements put in place with one employer following the 2010 Valuation. 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. In the event that the employer that is party to the agreement fails to pay contributions due to the Fund at any point in the future these charges may be invoked. The total charge on one property is £0.233 million (£0.233 million).

26. Agency Contracted Services

The Norfolk Pension Fund pays discretionary awards to the former employees of Norfolk County Council, the district councils and twenty five other employers. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below:

	31 March 2016 £000s	31 March 2017 £000s
Norfolk County Council	1,311	1,277
Norwich City Council	1,206	1,181
North Norfolk District Council	265	257
Borough Council of Kings Lynn & West Norfolk	250	243
Great Yarmouth Borough Council	205	199
Broadland District Council	108	106
Breckland District Council	103	101
South Norfolk District Council	60	58
Other	131	159
	3,639	**3,581**

- **Statement of Investment Principles and Funding Strategy Statement**

The Norfolk Pension Fund has a published Statement of Investment Principles including details of our compliance with recognised good investment practices and a Funding Strategy Statement which is a summary of the Funds' approach to funding liabilities.

With effect from the 1st 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 Statement of Investment Principles, Funding Strategy Statement and Investment 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

Appendices

Appendix 1 -Participating Employers

(Employers with active members during the year)

Employer	Type
Acle Academy	Scheduled/Resolution Body
Acle Parish Council	Scheduled/Resolution Body
Action for Children (Wells)	Admitted Body
Action for Children (Dereham)	Admitted Body
Action for Children (Hethersett)	Admitted Body
Action for Children (Thorpe)	Admitted Body
Admirals Academy	Scheduled/Resolution Body
Age UK Norfolk	Admitted Body
Alive Leisure Trust	Admitted Body
Alive Management Ltd	Scheduled/Resolution Body
All Saints Academy	Scheduled/Resolution Body
Anglia Maintenance Services	Admitted Body
Anthony Curton Primary School	Scheduled/Resolution Body
Antingham & Southrepps Community Primary School	Scheduled/Resolution Body
Arden Grove Infant and Nursery Academy	Scheduled/Resolution Body
Aslacton Primary School	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
Barnham Broom 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
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
Breckland Council	Scheduled/Resolution Body
Broadland District Council	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
Buxton With Lamas Parish Council	Scheduled/Resolution Body
Caister Academy	Scheduled/Resolution Body
Castle Acre Church of England Primary School	Scheduled/Resolution Body
Caterlink	Admitted Body
Cawston Parish Council	Scheduled/Resolution Body
Cawston Primary School	Scheduled/Resolution Body
Charles Darwin Primary School	Scheduled/Resolution 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
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
Costessey Infant School (Academy)	Scheduled/Resolution Body
Costessey Junior School (Academy)	Scheduled/Resolution Body
Costessey Town Council	Scheduled/Resolution Body
Cranworth Parish Council	Scheduled/Resolution Body
Cringleford Parish Council	Scheduled/Resolution Body
Cromer Academy Trust	Scheduled/Resolution Body
Cromer Town Council	Scheduled/Resolution Body
Dereham Church of England Junior Academy	Scheduled/Resolution Body
Dereham Town Council	Scheduled/Resolution Body
Dersingham Parish Council	Scheduled/Resolution Body
Diamond Academy	Scheduled/Resolution Body
Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust)	Scheduled/Resolution Body
Diss High School (Academy)	Scheduled/Resolution Body
Diss Town Council	Scheduled/Resolution Body
Ditchingham Church of England Primary Academy	Scheduled/Resolution Body
Downham & Stow Bardolph Internal Drainage Board	Scheduled/Resolution Body
Downham Market Academy	Scheduled/Resolution Body

Downham Market Town Council	Scheduled/Resolution Body
Drayton Parish Council	Scheduled/Resolution Body
Duchy of Lancaster Methwold Church of England Primary	Scheduled/Resolution Body
Dussingdale Primary School	Scheduled/Resolution Body
East City Children's Centre	Admitted Body
East Norfolk Sixth Form College	Scheduled/Resolution Body
East of Ouse, Polver & Nar Internal Drainage Board	Scheduled/Resolution Body
Eastern Inshore Fisheries and Conservation Authority	Scheduled/Resolution Body
Eastgate Academy	Scheduled/Resolution Body
Easton and Otley College	Scheduled/Resolution Body
Eaton Hall Specialist Academy	Scheduled/Resolution Body
Eaton Primary School	Scheduled/Resolution Body
Edith Cavell Academy	Scheduled/Resolution Body
Edward and Blake (Caister Academy)	Admitted Body
Edward Worlledge Primary	Scheduled/Resolution Body
Edwards & Blake (Marham Infant)	Admitted Body
Edwards & Blake (Wymondham Academy)	Admitted Body
Edwards and Blake	Admitted Body
Edwards and Blake (Neatherd High)	Admitted Body
Edwards and Blake (Nicholas Hammond)	Admitted Body
Edwards and Blake (Reepham High)	Admitted Body
Engage Educational Services	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Town Council	Scheduled/Resolution Body
Filby Primary School	Scheduled/Resolution Body
Firside Junior School	Scheduled/Resolution Body
Flagship Housing Group	Admitted Body
Flegg High School	Scheduled/Resolution Body
Flitcham Church of England Primary Academy	Scheduled/Resolution Body
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
Gillingham St Michael's Primary	Scheduled/Resolution Body
Glebeland Primary School	Scheduled/Resolution Body
Gooderstone Church of England Primary Academy	Scheduled/Resolution Body
Great Snoring Parish Council	Scheduled/Resolution Body
Great Witchingham Church of England Primary School	Scheduled/Resolution Body

Great Yarmouth Borough Council	Scheduled/Resolution Body
Great Yarmouth College of Further Education	Scheduled/Resolution Body
Great Yarmouth Norse	Scheduled/Resolution Body
Great Yarmouth Port Authority	Admitted Body
Great Yarmouth Port Company	Admitted Body
Great Yarmouth Primary Academy	Scheduled/Resolution Body
Great Yarmouth Racecourse Ltd	Admitted Body
Grove House Nursery Primary School	Scheduled/Resolution Body
GYB Services Ltd	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
Hellesdon High School Academy	Scheduled/Resolution Body
Hellesdon Parish Council	Scheduled/Resolution Body
Hemblington Parish Council	Scheduled/Resolution Body
Henderson Green Primary Academy	Scheduled/Resolution Body
Hethel Innovation Ltd	Admitted Body
Hethersett Academy	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
Hoveton Parish Council	Scheduled/Resolution Body
Hunstanton Town Council	Scheduled/Resolution Body
Iceni Academy	Scheduled/Resolution Body
Independence Matters	Admitted Body
Inspiration Trust	Scheduled/Resolution Body
Jane Austin College	Scheduled/Resolution Body
Kettlestone Parish Council	Scheduled/Resolution Body
Kier Support Services	Admitted Body
King Edward VII Academy	Scheduled/Resolution Body
King’s Lynn Internal Drainage Board	Scheduled/Resolution Body
King’s Park Infant School	Scheduled/Resolution Body
King's Lynn Academy	Scheduled/Resolution Body
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
Kirby Cane And Ellingham Parish Council	Scheduled/Resolution Body
Konectbus Ltd	Admitted Body

Lafarge Tarmac	Admitted Body
Lingwood and Burlingham Parish Council	Scheduled/Resolution Body
Lingwood 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
Lynn Grove High School (Academy)	Scheduled/Resolution Body
Manor Field Infant Nursery School	Scheduled/Resolution Body
Marlingford and Colton Parish Council	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
Mid Norfolk Citizens Advice Bureau	Admitted Body
Middleton Primary School	Scheduled/Resolution Body
Moorlands Church of England Primary Academy	Scheduled/Resolution Body
Mundford Church of England Primary	Scheduled/Resolution Body
Nar and St Clement's Children's Centre	Scheduled/Resolution Body
Narborough Church of England Primary Academy	Scheduled/Resolution Body
NCS (Assistive Technology)	Scheduled/Resolution Body
NCS Transport Ltd	Scheduled/Resolution Body
Neatherd High School	Scheduled/Resolution Body
Nelson Academy	Scheduled/Resolution Body
New Anglia Enterprise Council	Admitted Body
New Buckenham Parish Council	Scheduled/Resolution Body
Newton Flotman Parish Council	Scheduled/Resolution Body
Norfolk Chief Constable	Scheduled/Resolution Body
Norfolk County Council	Scheduled/Resolution Body
Norfolk Educational Services (NES)	Scheduled/Resolution Body
Norfolk Heritage Fleet Trust	Admitted Body
Norfolk Police and Crime Commissioner	Scheduled/Resolution Body
Norfolk Rivers Internal Drainage Board	Scheduled/Resolution Body
Norman Church of England Primary School	Scheduled/Resolution Body
Norse Care Limited	Scheduled/Resolution Body
Norse Care Services	Scheduled/Resolution Body
Norse Commercial Services	Scheduled/Resolution Body
Norse Eastern	Scheduled/Resolution Body
North Norfolk District Council	Scheduled/Resolution Body
North Walsham Town Council	Scheduled/Resolution Body
North Wootton Community School	Scheduled/Resolution Body

Northgate High School	Scheduled/Resolution Body
Northrepps Parish Council	Scheduled/Resolution Body
Norwich Airport Limited	Admitted Body
Norwich City Council	Scheduled/Resolution Body
Norwich Norse	Scheduled/Resolution Body
Norwich Primary Academy	Scheduled/Resolution Body
Norwich 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 Primary School	Scheduled/Resolution Body
Old Catton Parish Council	Scheduled/Resolution Body
Open Academy - Heartsease	Scheduled/Resolution Body
Ormiston Herman Academy	Scheduled/Resolution Body
Ormiston Venture Academy	Scheduled/Resolution Body
Ormiston Victory Academy	Scheduled/Resolution Body
Ovington Parish Council	Scheduled/Resolution Body
Paston College	Scheduled/Resolution Body
Peterhouse Primary School	Scheduled/Resolution Body
Poringland Parish Council	Scheduled/Resolution Body
Pre – School Learning Alliance (Milestones)	Admitted Body
Pre – School Learning Alliance (Thorpe)	Admitted Body
Rackheath Parish Council	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
Right for Success Academy Sponsorship Trust	Scheduled/Resolution Body
RM Education	Admitted Body
Rudham Church of England Primary School	Scheduled/Resolution Body
Runcton Holme Church of England Primary School	Scheduled/Resolution Body
Saffron Housing Trust Limited	Admitted Body
Saxlingham Nethergate Parish Council	Scheduled/Resolution Body
Scoulton Parish Council	Scheduled/Resolution Body
Sculthorpe Church of England Primary School	Scheduled/Resolution Body
Sentinel Leisure Trust	Admitted Body
Serco Government Services	Admitted Body

Sewell Park Academy	Scheduled/Resolution Body
Sheringham High School (Academy)	Scheduled/Resolution Body
Sheringham Town Council	Scheduled/Resolution Body
Short Stay School for Norfolk	Scheduled/Resolution Body
Sir Isaac Newton Free School	Scheduled/Resolution Body
Smithdon High School	Scheduled/Resolution Body
Snettisham Parish Council	Scheduled/Resolution Body
Snettisham Primary School	Scheduled/Resolution Body
South Norfolk District Council	Scheduled/Resolution Body
South Walsham Parish Council	Scheduled/Resolution Body
South Wootton Parish Council	Scheduled/Resolution Body
Southery & District Internal Drainage Board	Scheduled/Resolution Body
Southery Academy	Scheduled/Resolution Body
Spixworth Parish Council	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston Town Council	Scheduled/Resolution Body
St Andrews Primary School	Scheduled/Resolution Body
St Augustine’s Catholic Primary School	Scheduled/Resolution Body
St Clements HS Academy	Scheduled/Resolution Body
St Edmunds Academy	Scheduled/Resolution Body
St Francis of Assisi Catholic School	Scheduled/Resolution Body
St 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
Stalham Academy	Scheduled/Resolution Body
Stalham High School	Scheduled/Resolution Body
Stalham Town Council	Scheduled/Resolution Body
Stonham	Admitted Body
Stradbroke Primary	Scheduled/Resolution Body
Strumpshaw Parish Council	Scheduled/Resolution Body
Suffolk Coastal Services	Scheduled/Resolution Body
Swaffham Church of England Junior School	Scheduled/Resolution Body
Swaffham Town Council	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 Free School Norwich	Scheduled/Resolution Body
The Hewett Academy	Scheduled/Resolution Body
The Howard Junior	Scheduled/Resolution Body
The Matthew Project	Admitted Body
The Nicholas Hamond Academy	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
Thorpe St Andrew School and 6th Form	Scheduled/Resolution Body
Thorpe St. Andrew Town Council	Scheduled/Resolution Body
Tilney All Saints VC Primary School	Scheduled/Resolution Body
Trafalgar College	Scheduled/Resolution Body
Trowse with Newton Parish Council	Scheduled/Resolution Body
Tuckswood Academy and Nursery	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
Victory Housing Trust	Admitted Body
Village Green Children's Centre	Scheduled/Resolution Body
Village Green Nursery	Scheduled/Resolution Body
Walpole Cross Keys Primary School	Scheduled/Resolution Body
Walsingham Parish Council	Scheduled/Resolution Body
Watton Town Council	Scheduled/Resolution Body
Watton Westfield Infant & Nursery School	Scheduled/Resolution Body
Wayland High School Academy	Scheduled/Resolution Body
Wayland Junior Academy	Scheduled/Resolution Body
Weasenham Church of England Primary School	Scheduled/Resolution Body
Weeting VC Primary School	Scheduled/Resolution Body
Wells-Next-The-Sea 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
Winterton on Sea Parish Council	Scheduled/Resolution Body
Woodlands Primary Academy	Scheduled/Resolution Body
Wormegay Primary	Scheduled/Resolution Body
Wroughton Infant Academy	Scheduled/Resolution Body

Wroughton Junior Academy	Scheduled/Resolution Body
Wymondham Academy College	Scheduled/Resolution Body
Wymondham High Academy	Scheduled/Resolution Body
Wymondham Town Council	Scheduled/Resolution Body

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

AMORTISATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible Long Term asset.

AMORTISED COST

This is cost that has been adjusted for amortisation.

ASSET

An item owned by the Council which has a value, for example, premises, vehicles, equipment, cash.

ASSOCIATED COMPANIES

An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Local authorities are allowed to borrow to invest in capital works and assets so long as the cost of that borrowing is affordable and prudent. The Council borrows in the long term to finance capital expenditure an din the short term to smooth daily cash flow requirements. The principal source of borrowings in excess of one year (i.e. classified as long term borrowing) is the Public Works Loan Board.

BUDGET

The statement of the Council's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see revenue expenditure), and the Capital Budget plans for asset acquisitions and replacements (see capital expenditure).

CAPITAL EXPENDITURE

Expenditure on the acquisition of a Long Term asset, which lasts normally for more than one year, or expenditure, which adds to the life or value of an existing Long Term Assets.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPTS

Monies received for the sale of assets, some of which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by the Central Government.

CASH EQUIVALENTS

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code)

The Code of Practice on Local Authority Accounting in the United Kingdom: Based on International Financial Reporting Standards (the Code) aims to achieve consistent financial reporting between all English local authorities. It is based in generally accepted accounting standards and practices.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates. District Councils estimate the extent to which they will successfully collect Council Tax in their area. Any surplus or deficit is carried forward to the next financial year.

COMMUNITY ASSETS

Community assets are assets that the local authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal, e.g. Waxham Great Barn.

CONTINGENT LIABILITIES

Potential costs that the Council may incur in the future because of something that happened in the past.

CORPORATE AND DEMOCRATIC CORE (CDC)

Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

CREDITORS

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

CURRENT VALUE

This is the cost of an asset if bought in the current year.

DEBTORS

Sums of money due to the Council but not received at the end of the financial year.

DEDICATED SCHOOLS GRANT (DSG)

A specific grant paid to local authorities to fund the cost of running its schools.

DEFICIT

Arises when expenditure exceeds income or when expenditure exceeds available budget.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a Long Term asset.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The price 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 ASSET

A right to future economic benefits.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset in one organisation and a financial liability in another. Examples include the borrowing or lending of money.

FINANCIAL LIABILITY

An obligation to transfer economic benefits.

FINANCE AND OPERATING LEASE

A finance lease transfers all of the risks and rewards of ownership of a Long Term asset to the lessee. If these leases are used, the assets acquired have to be included within the Long Term assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service committee's revenue account.

IFRS

International Financial Reporting Standards

GOVERNMENT GRANTS

Grants paid by the Government. These can be for general expenditure or a particular service or initiative, e.g. School Standards Grant

HISTORIC COST

This is the cost of an asset when originally bought.

IAS19 RETIREMENT BENEFITS

This International Accounting Standard requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet but does not impact on council tax.

IMPAIRMENT

A reduction in the value of a Long Term asset to below its carrying amount on the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.

INFRASTRUCTURE ASSETS

Long Term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Intangible assets are non-financial Long Term assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

An International Financial Reporting Standard (IFRS) is issued by the International Accounting Standards Board. All local authorities are required to report under IFRS.

INVENTORY

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENT PROPERTIES

Assets that the Council owns but are not used in the direct delivery of services, for example the Norwich Airport Industrial Estate.

LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) assists CIPFA in setting the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

LONG TERM ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

LIABILITY

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

MARKET PRICE

This is the price at which another organisation is prepared to buy or sell an asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount, calculated in accordance with statutory guidance, that must be charged to the Council's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Council makes a satisfactory annual provision for loan repayments.

NET BOOK VALUE

The amount at which Long Term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NATIONAL NON DOMESTIC RATES (NNDR)

The business rate in the pound is the same for all non domestic rate payers and is set annually by the Government. Income from business rates goes into a central Government pool, which is then distributed to local authorities according to resident population.

NON DISTRIBUTED COSTS

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

NON OPERATIONAL ASSETS

Non operational assets are Long Term assets held by the Council but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

OPERATIONAL ASSET

Operational assets are Long Term assets (for example, land and buildings) held by the Council that are directly occupied or used in the delivery of services.

OUTTURN

The actual amount spent in the financial year.

PENSION FUND

A fund which makes pension payments on retirement of its participants.

PRIVATE FINANCE INITIATIVE (PFI)

A Government initiative that enables, through the provision of financial support, authorities to carry out capital projects through partnership with the private sector.

PRECEPTS

The income which the Council requires a District Council to raise on behalf of the County Council from Council Tax.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENTIAL CODE

The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.

PUBLIC WORKS LOANS BOARD

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. Previously referred to as Deferred Charges.

REVENUE SUPPORT GRANT (RSG)

Central Government pays Revenue Support Grant to County Councils and District Councils in respect of local authority expenditure generally.

SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

Provides guidance to local authorities on financial reporting to stakeholders. It establishes ‘proper accounting practice’ with regard to consistent financial reporting, which allows direct comparisons of financial information to be made with other local authorities.

SUBSIDIARY

An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)

SURPLUS

Arises when income exceeds expenditure or when expenditure is less than available budget.

VALUE ADDED TAX (VAT)

A tax on consumer expenditure, which is collected on business transactions at each stage in the supply, but which is ultimately borne by the final customer.

Audit Committee

Item No……

Report title:	Letters of Representation 2016-17
Date of meeting:	21 September 2017
Responsible Chief Officer:	Executive Director of Finance and Commercial Services

Strategic impact

This report provides details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2016-17.

Executive summary

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations.

The Executive Director of Finance and Commercial Services has, following consultation with Departmental Chief Officers, written the letters in accordance with audit requirements. One letter covers the Norfolk County Council statement of accounts and is attached as an appendix to this report. A second letter covers the Norfolk Pension Fund only and will be forwarded to this committee for approval following consideration by the Norfolk Pensions Committee.

The letters are provisionally dated 21 September 2017, which may be amended to no later than 30 September.

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 Pensions Committee in respect of the Pension Fund. Council has delegated responsibility for approving the Statement of Accounts and endorsing the letters of representation to the Audit Committee.

Recommendations

The Audit Committee is requested to endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council, and that the Chairman of the Audit Committee and Executive Director of Finance and Commercial Services sign the letter attached on behalf of the Council.

1. Introduction

This report introduces the letters of representation of Norfolk County Council and of Norfolk Pension Fund for 2016-17.

2. Evidence

The text of a Letter of Representation for the Council is attached as Appendix 1. A Letter of Representation for the Norfolk Pension Fund will follow the 19 September 2017 Pensions Committee.

3. Financial Implications

3.1 The Letters of Representation are part of the External Audit requirements for the 2016-17 Statement of Accounts. The Statement of Accounts is covered elsewhere on this agenda.

4. Issues, risks and innovation

4.1 There are no specific issues, risks or innovations to report.

5. Background

5.1 The Council's auditors require the Council to sign a letter of representation to enable them to conclude their audit work.

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.

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

21 September 2017

Mr M Hodgson
Ernst & Young
One Cambridge Business Park
Cambridge
CB4 0WZ

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 2017. 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 position of Norfolk County Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, 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 2016-17.

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 2016-17 and are free of material misstatements, including omissions. We have approved the Group 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 financial statements.
4. We confirm that the Responsible Officer has:
    - Reviewed the accounts
    - Reviewed all relevant written assurances relating to the accounts, and
    - Made other enquiries as appropriate.
5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17, that are free from material misstatement, whether due to fraud or error.
6. We believe that the effect of any audit differences, summarised in your Audit Results Report, accumulated by you during the current audit and pertaining to the latest period presented, as discussed with you and reviewed by the relevant officers have been adjusted in the financial statements.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have made available to you all agendas and 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: 21 September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the 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 financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. 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 financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than described in the relevant note to the Group and Council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Group Audits

1. 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. The 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.

I. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

J 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.

K. 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).

L. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the usable and unusable reserves.

M. 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 2016/17.
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 2016/17.
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, that no impairment is required.

N. 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.

O. Use of the Work of a Specialist – Pension Liability

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.

P. 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 2016/17.
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 2016/17.

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.

Q. Other Information

1. We acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2016-2017.

1. We confirm that the content contained within the other information is consistent with the financial statements.

R. Specific Representations

You do not require any specific representations in addition to those above.

Yours sincerely

Simon George, Executive Director of Finance and Commercial Servcies

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I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 21 September 2017

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Audit Committee

Item No …

Report title:	**Revised Internal Audit Plan 2017-18**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

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, part 4.1 (4.3) page 12, which is part of the Council's Constitution Article 6, at page 5.

The Audit Committee should, 'Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice'.

Executive summary

The Audit Committee agreed the Internal Audit Strategy and Plan for 2017-18 (item 8, page 6) in January 2017. The proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2015). It is good practice to refresh the plan at the half year stage, to ensure it is current.

The key messages from the refresh are:

- The strategy supports the delivery of the Council's Priorities set out in the 'Caring for our County' report, presented to the Policy and Resources Committee.

- The Internal Audit strategy to deliver 1,491 budgeted days has been revised to 1,486 days (including work for External Clients) and of that 706 (768) were budgeted days for work to directly support the Council's audit opinion (**Appendix A**). The slight reduction in audit opinion days reflects an increase in our grant certification work. However, the opinion work is considered sufficient as it covers the essential elements of governance, internal control, financial management and risk management. The strategy also allows for delivering 80 days traded schools work and 100 for investigative work. (2.6)

- The revised Internal Audit Plan for 2017-18 (**Appendix Bi**) has an oversubscription of 72 days (significantly in the second half of the year) to allow for potential cancellations and 'recycling' additional income from traded schools audit work (2.7)

- Topics already identified as not being covered in the remainder of this year (deferred audits **Appendix Bii)** will be carried forward to the next year's audit planning as a priority for consideration (2.12)

- There was significant progress towards completion of the 2016-17 plan that was carried forward into 2017-18. 95 days in quarter 1 were attributed to completion of carried forward work. Likewise, there was significant work in progress from the first half of the 2017-18 year carried into the second half of the year.

- There are 39 separate audit opinion topics in the revised 2017-18 audit plan. It is planned that final report and draft reports for the revised 2017-18 audit plan will total 20 and 7 respectively, to be reported on in the 2017-18 Annual Internal Audit Report. It is planned that all 28 of the 2016-17 carried forward work will be issued at final within year (2.15)

Recommendation:

The Committee is asked to note:

- That internal audit's strategy and plan contribute to meeting the Council's priorities of 'Caring for our County', an effective system of internal audit and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice

- That the 2017-18 Internal Audit Strategy has been revised for the second half of the year (**Appendix A**). The actual days available to deliver the audit opinion work within the strategy have reduced from 768 days to 706 days, however the days remain sufficient to support the opinion

- The revised Internal Audit Plan to support the opinion for the whole year (**Appendix Bi**) is 706 days, which includes contractor time as part of our planned mixed economy delivery model. The opinion work plan will be managed flexibly to support the traded schools approach. Some audits timed for Quarters 1 and 2 are carried into the remainder of the year as work in progress.

- The Strategy includes 100 days for the Investigative Auditor's work

- The three year Internal Audit Strategy, (item 8, Appendix A) agreed in January 2017, remains largely unchanged and will be refreshed in January 2018

- The overall target for 2017-18 final reports and draft reports for audits are 20 and 7 respectively, to be reported on in the Annual Internal Audit Report.

1. Proposal (or options)

1.1 The recommendation is set out in the Executive Summary above.

1.2 The County Leadership Team have been consulted in the preparation of this report.

2. Evidence

2.1 The approach to refreshing the Internal Audit Plan has been to:

- Consider the overall assurance objectives in 2017-18 (para 2.2)
- Consider the available resources to support:
    - the Audit Strategy for 2017-18 (para 2.6)
    - the Audit Opinion work for 2017-18 (para 2.7)
- Consolidate and reconcile the required audit opinion work from:
    - Work in progress from Quarter 1 and Quarter 2 of 2017-18 (para 2.10)
    - Original planned work for the remainder of the year (para 2.11)
    - Work no longer required or deferred (para 2.13)
    - New work required in 2017-18, following the audit needs assessment refresh (para 2.14)
- Consult with County Leadership Team and Service Heads

2.2 The overall assurance objectives remain the same. The planned internal audit work will make a significant contribution to the Council's priorities and be reported in our annual internal audit report in June 2018. The plan makes adequate provision for the risks arising from organisational change, the continued economic downturn and that resources are sufficient to accomplish the reduced plan.

2.3 The opinions we provide through our audit work and strategy will demonstrate the following topics all being 'better off':

- Corporate Priorities
- Annual Governance Statement
- Sound Operations
- Risk Management for Reputational Damage
- Risk Management for Financial Loss (Financial Resilience)
- Risk Management for Financial Loss (Financial Management)

2.4 The revised internal audit plan supports the new administrations priorities together with the corporate priorities that have been identified to make better use of resources:

- Caring for your Money
- Caring for your Family
- Caring for your Community

- Caring for your Health and Well being
- Caring for your Roads and Environment
- Caring for your Economy

2.5 The top six risk priorities of Norfolk Audit Services activity remain as presented in the Internal Audit Strategy for 2017-2020 agreed by Committee in January 2017 (see 5.3).

2.6 The original agreed internal audit strategy scope remains largely the same, as set out in **Appendix A**.

2.7 The resourcing of the overall Audit Strategy has been reviewed (see 5.4)

2.8 The resourcing of the Council's Internal Audit opinion days has been reviewed:

- The overall physical capacity of the Internal Audit has reduced to 706 audit opinion days (was 768)

- The revisions made to the detailed plan at **Appendix Bi** are significantly in relation to the audit topics to be undertaken which have been considered on a risk assessed basis.

- We have completed almost all of the 28 audits from 2016-17 that were carried forward into the first half of 2017-18. In Quarter 1 this utilised 95 days opinion work from 2017-18. An allocation of 100 days has been included in the second half of the year for completion of the first half of 2017-18 audits. This is standard practice for the completion of audits within different reporting periods.

2.9 The approach to applying the resources to the audit opinion work is set out below.

2.10 The Work in Progress from Quarter 1 and Quarter 2 of 2017-18 the days will be deployed to complete that work as a priority, the work in the quarter has covered the following:

- Of the 320 audit opinion days total for Quarter 1 (Actual) and Quarter 2 (estimated) (See **Table 2**):

    - 95 days were spent on delivering the completion of audit opinion work that related to the 2016-17 audit plan. That is because there were 28 audits from the 2016-17 audit plan where work did not commence until late in the year due to a combination of client request and availability of NAS resource and these subsequently needed completion during 2016-17

    - 15 days have been included in quarter 2 for completion of all 2016-17 audit opinion work

    - 35 days supported two Information Management audits; Information Security and Awareness of new Information

Management Policies and Procedures. These audits support the action plan from the ICO visit last year

2.11 Delivery of other opinion work during quarter 1 was in line with the internal audit strategy and the detailed plan. Actual delivery for quarter 1 and planned and revised delivery for quarters 2, 3 and 4 are shown in Table 1 below. Planned delivery for quarter 2 is always lower that other quarters due to contractual working patterns of the audit team, however unplanned sickness absences over the summer has further reduced this.

Table 1 – Revision to the Audit Opinion days per quarter 2017-18

	Q1	Q2	Q3	Q4	Total
Planned opinion days	183	183	201	201	768
Actual for Q1 and revised for Q2,3 & 4 opinion days	195	125	193	193	706

2.12 Original planned work for the remainder of the year is detailed in **Appendix Bi**, with revisions to the plan (new audits) highlighted as new.

2.13 Work no longer required or deferred (94 days) is listed at **Appendix Bii** and total days shown in **Table 2** below.

2.14 New work identified from either the first half year plan or as new work to the second half year plan (372 days), as only a detailed six month plan was agreed by Committee in January 2017, that have been identified are included in the revised plan and highlighted in **Appendix Bi** and **Table 2** below. In establishing the audit topics for inclusion in this revised 2017-18 plan, our audit planning followed the approach that was advised to, and considered by this Committee in January 2017, (item 8)

2.15 The overall changes to the original internal audit plan days, agreed by the Committee in January 2017, are described in **Table 1** below.

Table 2 – Changes to the Internal Audit Strategy and Audit Opinion Days 2017-18 (See Appendix A)

Changes	2017-18 Days
Original agreed delivery of audit strategy budgeted days	1,491
Plus increase in grant certification work and assurance to the Section 151 Officer	57
Less reduction in strategy of audit opinion days	62
Revised delivery of overall audit strategy plan days	1,486
Original agreed audit opinion budgeted days (See	768

Table 2)	
Less reduction in strategy of audit opinion days	62
Revised audit opinion plan in days (oversubscribed) = Appendix Bi total	706

Table 3 - Reconciliation of planned 'audit opinion days' 2017-18

Changes to opinion days	Days
Original agreed audit plan days from January 2017 (presented as a half year plan with first call on second half of year)	500
Additional new audit opinion days onto the original plan (mainly second half as now planned for) (2.13)	372
Deferred audit opinion days taken from the original plan (mainly from first half) (2.12)	(94)
Revised total audit opinion planned days	**706**
plus oversubscription	62
Total original agreed audit opinion days budget	**768**

2.16 Based upon the Actual and Revised total of 706 days in **Table 3**, the target for final report and draft reports for audits at year end are 20 and 7 respectively (with 12 audits being work in progress at year end), to be reported on in the Annual Internal Audit Report. It is expected to achieve 100% of these targets. The average days per audit is therefore 18 days.

2.17 We continue to develop our traded services to schools and reported the positive outcomes of these in our annual report. 80 days has been allowed within the strategy to deliver traded school audits, and as at 31 July 2017, 9 schools have either received or booked a traded audit during 2016-17.

2.18 Technical details appear in **Appendix C** for information.

3. Financial Implications

3.1. The revised audit plan will be met from our existing agreed budget for 2017-18. Norfolk Audit Services have not been required to contribute to further cash savings in year so there has been no impact in respect of the agreed budget or in terms of the revised internal audit plan for 2017-18.

3.2. The internal audit plan covers the risks arising from the Council's budgeted Gross Revenue Expenditure £1.383bn as well as the Councils' Assets of £977m and matching Liabilities. (NCC Budget Book 2017 - 20)

3.3. The expenditure falls within the parameters of the Annual Budget agreed by the Council.

3.4. Norfolk Audit Services plan to deliver the 2017-18 revised audit plan within budget by adhering to the planned budget and continuing to seek efficiencies in our working. We will actively maintain existing trading and pursue opportunities for new traded income.

3.5. All standard audits are allocated a cash budget (£) which is formally monitored at draft and final report stages. A target for 2017-18 has been set to deliver 100% of audits within +/-5% of the agreed cash budget.

3.6. The costs of half yearly audit plans are communicated to the Executive Director of Finance and Commercial Services.

4. Issues, risks and innovation

4.1. In order to facilitate traded schools audits, as part of the agreed Medium Term Internal Audit Strategy, the Internal Audit Plan needs to be sufficiently flexible to allow the traded service to be developed and sustained with appropriate resourcing. Once firm bookings are achieved then additional resources can be appointed to meet the ongoing demands. Until that time up to 80 days of the general plan will require the timing of the audit to be flexed as bookings for Traded Audits are secured. The arrangements will be closely managed to ensure the optimum service is achieved and delays are minimised.

4.2. There are no implications with respect to:

- Legal
- Risks
- Equality
- Human Rights
- Environmental
- Health and Safety.

5. Background

5.1. The Three Year Internal Audit Strategy and the overall Norfolk Audit Services planning approach for the 2017-18 audit plan was approved by the Audit Committee on 26th January 2017 within the minutes, (item 8; page 6) available at the link underlined above.

5.2. This report explains the changes made to the Annual Internal Audit Plan for 2017-18 and provides more detail for the Committee. Audit topics have been drawn from our Audit Needs Assessment process and consultation with departmental managers.

5.3. The top six risk priorities remain:

- That key NCC management systems are fit for purpose - that sound financial management, resilience and governance are in place, that there is compliance and where exceptions occur they are identified and treated in a timely manner. This risk is expanded to include where services may not ensure value for money

- That Commissioning, Procurement and contract management are well governed and achieve value for money.

- That other key NCC management systems are fit for purpose

- The risks associated with transformational change in the organisation are managed. That change objectives (organisational and financial) are met and internal controls and savings are maintained during and after that change

- Anti-Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy and the CIPFA Code)

- That assets, physical and information, are secured and controlled effectively, including data quality.

5.4. The resourcing review covered:

- The overall target budget for the team was reviewed and remains largely the same, translating that to an appropriate staffing model which provides the number of audit days available from the team and adding up to 100 days of contractor time

- Those available days are then matched to the overall audit strategy thus identifying the available days to support the audit opinion for the Council in the period.

- The original total audit strategy days (1,491 days) were calculated on the basis of us successfully recruiting to our new Investigative Auditor role and our vacant Audit Manager role. We have recruited to both posts, although there have been delays with planned start dates. The revised strategy reflects this in the number of audit days available for in-house and contactor delivery.

- We continue to use an Audit contractor as part of our mixed economy resourcing arrangement to provide up to 100 days of audit resource. This gives us greater flexibility and resilience.

5.5. The Chairman of the Audit Committee and County Leadership Team and the External Auditors have been consulted in the preparation of this report.

Officer Contact
If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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

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IN TRAN communication for all

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Appendix A

Proposed Revised Delivery of Internal Audit Strategy for Q3 and Q4 of 2017-18

Appendix B (i)

Proposed Revised Internal Audit Plan 2017-18 (Detailed)

Appendix B (ii)

Proposed Revised Internal Audit Plan 2017-18 (Deferred Work)

Appendix C

Technical Details

Additional background

2.1 The three year Internal Audit Strategy agreed in January remains largely unchanged in terms of our objectives, the nature of our work, delivery of our work and managing our resources. We continually seek efficiencies in delivering the strategy. There has been reprioritisation of some audits and new audits being identified and included within year **Appendix Bi.**

Delivering the Audit Strategy (Appendix A):

- The reporting to the Audit Committee remains the same. This reporting is detailed and welcomed by the Committees.

- The facilitation of the Annual Governance Statement (AGS) for 2016-17 preparations has remained the same at 8 days, although this was supplemented by additional days from the days allowed for the provision of assurance to the Executive Director of Finance days. This was to further support the self-certification process for the 2016-17 Annual Governance Statement. This further strengthens Chief Officer and member involvement using the CIPFA Solace guidance.

- The number of days to support the grant certification work has increased by 52 days, there are more grants to certify and more grants required a 100% certification check.

- The resources needed for the France Channel England project remain estimated at 175 days for 2017-18. With the Brexit outcome we continue to assess and understand any likely impact on our role as Audit Authority and will take responsive action as and when necessary.

The Audit Opinion Work (Appendix Bi):

2.2 Appendix B (i) sets out the resources to deliver one key element of the Strategy, the audit opinion. The revised proposed audit opinion work for 2017-18 is currently oversubscribed by 94 days. This oversubscription will be managed through the six months of the audit plan remaining by natural and expected movement of planned audits. Any remaining audits not delivered due to oversubscription will be carried forward, on a risk assessed basis to quarter 1 of 2018-19. Appendix B (ii) sets out the work that was identified in the original plan and the revised plan through our audit needs assessment, but that has been deferred due to the number of audit days available within the team.

Section 4 Issues, Risks and Innovation details

4.1. If appropriate systems are not in place or are not effective there is a risk of:

- the Council failing to achieve its corporate objectives
- the Audit Committee not complying with best practice and thereby not functioning in an efficient and effective manner
- not meeting statutory requirements to provide adequate and effective systems of internal audit.

4.2. These documents underpin the operational performance of Norfolk Audit Services and hence significant changes to these plans would impact on the delivery of the audit service and may put at risk the good reputation of the service. The External Auditor places reliance on the work of Norfolk Audit Services which helps to lower their fees to the Council.

4.3. This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.4. Under Section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

4.5. The Council has in place an Anti Fraud and Corruption Strategy which is actively promoted. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing.

Section 5 Background details

5.1. The Council must undertake an adequate and effective internal audit to meet the requirements of the Accounts and Audit (England) Regulations (2015). The proposed audit plan meets this statutory requirement. The planning also meets relevant standards (UK Public Sector Internal Audit Standards, UKPSIAS). Norfolk Audit Services must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The plan must take into account the requirement to produce an annual internal audit opinion, the relative risk maturity of the organisation and the assurance framework. Norfolk Audit Services identifies and considers the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinions and other conclusions. The plan and resource requirements need to be communicated to senior managers and the Audit Committee for review and approval.

End.

Norfolk Audit Services

Appendix A

Revised Proposed Delivery of Internal Audit Strategy for 2017-18

Element of Strategy	**Original Total proposed 2017-18**	**Agreed First Half of Year**	**Revised first half of year (A)**	**Original Proposed Quarter 3 and 4**	**New Proposed Q3 and Q4 (B)**	**Arbitrary Total 2016-17 (A+B)**
Reporting to the Audit Committee quarterly and annually	**50**	25	25	25	25	50
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	**8**	0	0	8	8	8
Provision of assurance to the Executive Director of Finance and Commercial Services (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority.	**20**	15	15	5	10	25
Undertaking audit work to support the internal audit opinion **(Appendix Bi) includes days delivered through mixed economy**	**768**	365	320	403	386	706
Provision of advice and assistance with respect to Internal Control to Executive Directors and other Senior Officers	**60**	30	30	30	30	60
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law (includes 2 audits)	**60**	30	30	30	30	60
Provision to undertake preliminary assessments and investigations	**40**	20	20	20	20	40
*Provision of chargeable Internal Audit Service to Schools	**80**	40	40	40	40	80
*Provision of an Internal Audit Service to Norfolk Pension Fund	**80**	40	40	40	40	80
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	**6**	0	0	6	6	6
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	**144**	88	98	87	98	196
*Delivering the Audit Authority Function to the FCE programme	**175**	91	91	84	84	175
Gross Total	**1,491**	**744**	**709**	**778**	**777**	**1,486**
*Less Delivered to external Clients	**485**	**259**	**269**	**257**	**268**	**537**
Total to be Delivered to NCC (para 2.4)	**1,006**	**485**	**440**	**521**	**509**	**949**

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (i)

Detail of work to support the audit opinion

Revisions to original plan presented to Committee in January 2017

Assurance Area and Audit topic	Allocated days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Community and Environmental Services				
Environment, Development and Transport Committee and Economic Development Sub-Committee				
Environment: Local Flood Strategy	15	Review of the strategy to see that it has been embraced and is delivering expected outcomes, and supporting the local flood management (surface water). Review of management and monitoring RAG rating and delivery against KPI's. **Quality Assurance**	15	
Economic Development: No topics identified				
Highways: Contract Monitoring NDR Contra	15	Assurance that mitigating actions 4 and 5 in respect of corporate risk RM017 have been implemented and that controls are adequately managed, monitored and reported on. **Contract Monitoring and Quality Assurance**		15
Highways: Routine Maintenance	20	Assurance on key internal controls and value for money		20
Street Lighting PFI	15	Assurance on the adequacy and effectiveness of existing key controls for the Governance and Value for Money of the PFI Contract	5	10
Planning: No topics idenified				
Business Support: No topics idenified				
Communities Committee				
Customer Services: No audits on a risk assessed basis				
Cultural (Libraries, Museums, Norfolk Record Office, Norfolk Community Learning, Active Norfolk): No audits on a risk assessed basis				
Resilience (Business Continuity, Emergency Planning, Trading Standards): No audits on risk assessed basis				
Norfolk Fire and Rescue Service: One Fleet as detailed under transport above.				
Registrars: No audits on a risk assessed basis				
Community relations and engagement: No audits on a risk assessed basis				

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (i)

Detail of work to support the audit opinion

Revisions to original plan presented to Committee in January 2017

Assurance Area and Audit topic	Allocated days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Total Communities & Environment	**65**		**20**	**45**
Adult Social Services				
Business Support & Development				
No audits on a risk assessed basis				
Integrated Commissioning				
No audits on a risk assessed basis				
Early Help & Prevention				
Adult Social Work				
Adult Social Services Transport	15	Assurance that this corporate risks is being adequately managed and that systems and controls are in place to monitor, control and report on this demand led budget and that they are operating effectively. **Budget Management, Financial Governance and Quality Assurance**	15	
Integrated Health & Social Care				
No audits on a risk assessed basis				
All Adult Service Areas				
National Minimum Wage - Phase 3 & 4	20	Assurance that providers are meeting their statotory obligations in respect of pay. Quality Assurance	5	15
Total Adult Services	**35**		**20**	**15**
Children's Services				
Early Help				
Children's Social Work				
Family Focus Governance Audit	15	Assurance that processes and controls are in place and are operating effectively		15
Education				
A review of the support mechanisms in place for early years settings	15	Assurance that systems and controls are in place and are operating effectively. **Financial Governance and Quality Assurance**	15	

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (i)

Detail of work to support the audit opinion

Revisions to original plan presented to Committee in January 2017

Assurance Area and Audit topic	Allocated days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Home to School Transport (RM014a)	15	Assurance that this corporate risks is being adequately managed and that systems and controls are in place to monitor, control and report on this demand led budget and that they are operating effectively. **Budget Management and Quality Assurance**	15	
Thematic Audit - School Websites; compliance with DfE requirements	25	Assurance that maintained schools websites comply with the DFE statutory reporting requirements. **Quality Assurance and Governance**		25
Thematic Audit 2	25	Topic to be agreed		25
Maintained school Payroll	10	Assurance that relevant systems and internal controls are in place and are working effectively. **Financial Governance and Quaility Assurance**	10	
Performance planning and QA No audits on risk assessed basis				
Total Children's Services (the proposed level of coverage for CHS considers other assurances obtained from third parties and other mechanisms such as Ofsted, Delivery Unit, risk register)	**105**		**40**	**65**
Managing Director's Office				
Business Intelligence and Performance & Planning No audits on a risk assessed basis				
Programme support No audits on a risk assessed basis				
Communications No audits on a risk assessed basis				
HR & OD				
Budget Assurance	**15**	Assurance that the revised HR budget accurately reflects the removal of transactional services and Educator Solutions. **Budget and Financial Management**		15

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (i)

Detail of work to support the audit opinion

Revisions to original plan presented to Committee in January 2017

Assurance Area and Audit topic	Allocated days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Law				
No audits on a risk assessed basis				
Democratic Services				
No audits on a risk assessed basis				
AGS Self Certification Process	days in strategy	Co-ordination of control self assessments by each service directorate. **Governance**	days in strategy	
Health & Safety				
No audits on a risk assessed basis				
Total Managing Director's Office	**15**		**0**	**15**
Finance and Commercial Services				
Audit of material financial systems	20	To provide assurance on the material financial systems to help support the external auditors. 2016-17 transactions to be looked at. **Quality**	20	
Subsidiary Companies (control self assessments and 1 full audit, were part of the strategy now brought into the plan)	20	Assurance that robust governance and financial arrangements are in place and operating effectively. **Quality Assurance**	20	
Budget and Financial control assurance audit - demand led budgets Children's Services and Adult Social Care follow up audit (extended to include Resources, Finance and Communities and Environment)	25	Assurance that systems and controls are in place to monitor, control and report on demand led budgets and other budgets and are operating effectively. **Budget Management and Quality Assurance**		25
Teachers Pension Return	10	Required annually by External Auditors. **Quality Assurance**	10	
Income - Car Parking	10	Assurance on key controls. **Budget Management**		10
Migration to Controcc - replacement system for CareFirst	15	To provide assurance that the data migration controls are operating effectively. **Data Quality**		15
Payroll - Payroll Controls and Computer Systems	15	To provide assurance on key controls. Includes off payroll working changes in legislation. **Quality Assurance**		15
Anti Fraud Audit	15	Supports the anti-fraud and corruption strategya dn plan. **Anti Fraud and Corruption**		15
Finance and Commercial Services - contingency	10	Assurance that systems and controls are operating effectively. **Quality Assurance**	10	

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (i)

Detail of work to support the audit opinion

Revisions to original plan presented to Committee in January 2017

Assurance Area and Audit topic	Allocated days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Asset Management - Energy management	15	To provide assurance that the new energy management strategy is being effectively managed, delivered, monitored and reported. **Quality Assurance**		15
Scheme of delegation NDR	10	To provide assurance that the scheme of delegation is being complied with **Quality Assurance and Financial Goverance**	10	
Contract Monitoring - Significant Contracts RM004	20	To provide assurance that the agreed corporate approach to contract monitoring of significant contracts is now in place and operating effectively. **Contract Monitoring**		20
Conduct of Procurement by NPS	15	Assurance that CSO are being complied with. **Quality Assurance**	15	
Accounts Receivable follow up	5			5
Equal Lives Financial Governance and Control Arrangements	15	Assurance that there are adequate financial governance and control arrangements in place. **Governance and Financial Control**	15	
Carbon Reduction Scheme	12	Assurance over the adequacy and effctiveness of key controls. **Quality Assurance**	12	
Property - Maintenance of Buildings	15	Assurance that clear strategy and processes are in place for property maintenance	15	
Treasury Management	12	Assurance over the adequacy and effectiveness of systems and processes in place to support robust		12
Information Management				
General Data Protection Regulation - watching brief and advice	5	Assurance over NCC preparations for the GDPR. **Information**		5
Role of Coldicott Guardians	8	Assurance that the role of the Caldicott Guardian is being carried out effectively, consistently and in line with statutory responsibilities. **Information Management,**		8

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (i)

Detail of work to support the audit opinion

Revisions to original plan presented to Committee in January 2017

Assurance Area and Audit topic	Allocated days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Privacy Impact Statements	10	Assurance over the adequacy and effectiveness of controls in respect of the new privacy impact statements. **Quality Assurance, Information Management**		10
Awareness of policies and Procedures - follow up	10	Assurance over the agreed action plan from the original audit and spot checks. **Quality Assurance, Information Management**		10
Unannounced visits (Information Management Compliance)	15	Assurance that policies and procedures are operating effectively. **Quality Assurance, Information Management**	15	
Unannounced visits (Information Management Compliance) follow up in Q4	12	Assurance that policies and procedures are operating effectively. **Quality Assurance, Information Management**		12
ICT				
Technology Improvement Programme - watching brief and advice	3	Watching brief and advice		3
Infrastructure Library Change Process	15	Assurance over governance of, and change manageemnt arrangements for adaptations to the ICT infrastructure and application delivery. **Governance and Quality Assurance**		15
Cyber Security Follow up	5	Assurance that the agreed actions from the original audit have been fully implemented or adequately planned for. **Governance and Quality**		5
Total Finance and Commercial Services	**342**		**142**	**200**
Total Days to be delivered to NCC	**562**		**222**	**340**
Completion of 2016-17 Audits in Q1 and Q2	100		95	15
Completion of first half of year 2017-18 audits (part due to new topics added to first half)	100			100
HPF follow up	6		3	3
Contingency	0		0	
Total days to support the audit opinion Q1 / Q2	**778**		**320**	**458**
Days available for opinion work	706			

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (i)

Detail of work to support the audit opinion

Revisions to original plan presented to Committee in January 2017

Assurance Area and Audit topic	Allocated days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Q1 & Q2 audit plan over/under subscribe(	-72			

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (ii)

Detail of Deferred / Cancelled Audits

Assurance Area and Audit topic	Days deferred / cancelled	Brief description of the audit scope and purpose
Community and Environmental Services		
Customer Services: Customer Complaints	10	Deferred on risk assessed basis. First call on next year. Assurance that systems in place to facilitate and progress customer complaints and compliments operate effectively. **Quality Assurance**
Transport and Fire: One Fleet	12	Cancelled on a risk assessed basis. Review the completeness and accuracy of asset registers. **Quality Assurance**
Public Health Contract Management	15	Cancelled on a risk assessed basis. Assurance that the Public Health Contracts Team have adequate systems and controls in place and are operating effectively. **Procurement Controls and Financial Governance**
Total Communities & Environment	**37**	
Adult Social Services		
Implementation of Care Act 2014 Statutory Obligations	12	Cancelled on a risk assessed basis. Remains on audit needs assessment as a watching brief. Assurance that the agreed actions from the external review delivered by the Social Care institute for Excellence (as reported to Adult Social Care Committee in July 2016) have been implemented or adequately planned for. **Quality Assurance**

Proposed revised Internal Audit Plan for 2017-18 (detailed) Appendix B (ii)

Detail of Deferred / Cancelled Audits

Assurance Area and Audit topic	Days deferred / cancelled	Brief description of the audit scope and purpose
Payments made outside of Carefirst	15	First call on next year. Assurance that payments made outside of CareFirst are appropraite, authorised and monitored. **Quality Assurance and Financial Governance**
Total Adult Services	**27**	
Children's Services		
Youth Offending Team - Financial and Governance Review	15	Cancelled on a risk assessed basis. Assurance that governance arrangements are adequate and effective. **Financial governance**
Total Children's	**15**	
Finance		
Capital Spending	15	Cancelled on a risk assessed basis. Assurance on key controls. **Budget Management**
Total Finance	**15**	
Total Deferred/Cancelled	**94**	

Audit Committee

Item No……

Report title:	**Audit Committee Terms of Reference**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

The Audit Committee's Terms of Reference are set out in the Council's Constitution at (Part 4 (4.4)): Composition and Terms of Reference of Regulatory and Other Committees, pages 9-12.

The Audit Committee are deemed 'Those charged with Governance', on behalf of the Council. The Committee forms part of the Council's System of Internal Control and Risk Management and performs specific functions required by statutory regulations.

Executive summary

This report introduces the Committee's Terms of Reference. The terms of reference for the Committee are considered as part of a regular formal review, as set out in its terms of reference.

No changes are proposed.

Recommendation:

The Audit Committee is requested to consider the proposed Terms of Reference and that there are no changes proposed. (**Appendix A**).

1. Proposal (or options)

1.1 The Audit Committee is requested to consider the proposed Terms of Reference (Appendix A).

2. Evidence

2.1 The terms of reference for the Committee are considered as part of a regular formal review, as set out in its terms of reference.

2.2 The last review was undertaken in June 2016. No changes have been required since then.

2.3 No changes are required at this time. The proposed Terms of Reference for the Committee are presented at **Appendix A**.

3. Financial Implications

3.1. The Audit Committee's scope includes the Revenue and Capital expenditure and income for the Council and the Norfolk Pension Fund, their assets and liabilities.

4. Issues, risks and innovation

4.1. **Risk implications**

This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.2. There are no implications with respect to:

- Legal
- Equality
- Human Rights
- Environmental
- Health and Safety.

5. Background

5.1. The Committee last considered its Terms of Reference in June 2016. The terms of reference include that the Committee should 'Review the Committee's own terms of reference to ensure they are current'. The Committee's Terms of Reference form part of the Council's Constitution (Part 4 (4.4)): Composition and Terms of Reference of Regulatory and Other Committees, pages 9-12.

5.2. These revised Terms of Reference are compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) 2013 and the Local Authority Guidance Note of April 2013 and help to ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A toolkit for Local Authority Audit Committees'.

5.3. There is no relevant input or comments from other committees to include within this report.

5.4. **Background papers**

There were no other background papers relevant to this report.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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

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Appendix A

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE – Proposed

A Governance

1 Consider the Annual Governance Statement, and be satisfied that that this statement is comprehensive, properly reflects the risk and internal control environment, including the System of Internal Audit, and includes an agreed action plan for improvements where necessary.

B Internal Audit and Internal Control

1 With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.

2 Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.

3 Consider an annual report and quarterly summaries of internal audit reports and activities which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management , any corporately significant issues arising, and receive assurance that action has been taken as necessary.

4 Consider reports showing progress of all clients against the audit plan and proposed amendments to the Council's audit plan.

5 Ensure there are effective relationships between internal audit and external audit, other inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.

C Risk Management

1 Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.

2 Consider the effectiveness of the system of risk management arrangements

3 Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.

4 Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.

5 Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.

6 Report annually to full Council as per the Financial Regulations.

D Anti-Fraud and Corruption

1 Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the council.

2 Consider the effectiveness of the Council's anti-fraud and corruption arrangements.

3 Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary.

E Annual Statement of Accounts

1 Consider the external auditor's reports and opinions, relevant requirements of International Standards on Auditing and any other reports to members with respect to the Accounts, including the Norfolk Pension Fund and Norfolk Fire-fighter's Pension Fund, and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.

2 Consider the External Auditor's Annual Governance Report and endorse the action plan contained in this Report and approve a Letter of Representation with respect to the Accounts.

F External Audit

1 Consider reports of external audit and other inspection agencies

2 Ensure there are effective relationships between external audit and internal audit

3 Consider the scope and fees of the external auditors for audit, inspection and other work.

G Norfolk Pension Fund

1 Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the relevant Governance reports of the Norfolk Pension Fund.

H Treasury Management

1 Consider the effectiveness of the governance, control and risk management arrangements for Treasury management and ensure that they meet best practice.

I Administration

1 Review the committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.

2 Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.

3 Consider the six monthly and Annual Reports of the Chairman of the Committee.

Audit Committee

Item No. ….

Report title:	**Risk Management Report**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director, Finance and Commercial Services**
Strategic impact 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 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.	

Executive summary

This report provides the Committee with the corporate risk register as it stands in September 2017, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during August 2017.

Risk Management is reported in its own right but the reporting is aligned with, and complements, the Performance and Financial reporting to relevant Committees.

The corporate risk register was last reported to the Audit Committee (for risk management assurance) in June 2017, prior to being refreshed in August 2017 to show the latest developments. Officers have worked through the suggestions from that Committee. The latest developments since the last Policy & Resources Committee (where corporate Risk Management was last reported) in July 2017 are shown in **Appendix A** (the risk register report). A reconciliation of corporate risks from the last Audit Committee in June 2017 is shown at **Appendix B.**

Recommendations:

Committee Members are asked to consider:

a. The changes to the corporate risk register **(Appendices A and B)**, the progress with mitigating the risks; and
b. The scrutiny options for managing corporate risks, (**Appendix C)**;
c. The movement of corporate risks since the last meeting **(Appendix D)**;
d. If any further action is required.

1. Proposal

1.1. The County Leadership Team has been consulted in the preparation of the corporate risk register.

2. Evidence

2.1. <u>Direction</u>

2.1.1. The Council's Medium Term Strategy and Financial Plan, adopted in February 2017, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. Considering 'being the organisation we need to be', the Council is leading on, and delivering, these changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.

2.1.2. Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated, and is currently being developed by the Risk Management Officer.

2.1.3. Work is taking place to further develop performance management. Risk Management continues to be reviewed and strengthened. The Council's Management of Risk Framework, including the Risk Management policy was last revised in 2014 and, whilst it has been fit for purpose, is now being refreshed to incorporate current governance, organisational and developments in best practice.

2.2 <u>Progress</u>

2.2.1 Overall, corporate risk scores continue to be generally stable. Since the last report to the Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. The corporate risk register is now joined up with the Council's 2017-18 Internal Audit Plan, with separate risk scrutiny applied by the Risk Management Officer to corporate risks where audits have not been identified. Progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant risks to Norfolk County

Council, and the actions required to mitigate them, managed by the County Leadership Team, and owned by the Policy and Resources Committee.

2.2.2. The latest corporate risk register details 19 risks presented at **Appendix A**. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and reviewer who are able to influence the mitigation and regularly report on progress so that all reports contain the most current information relating to the risk. It is the nature of corporate risks that every Executive Director has a responsibility to contribute, support and progress the tasks to mitigate the risks, through the County Leadership Team and their Departmental Management Teams.

2.2.3. **Appendix A** contains a full description of each corporate risk with the tasks to mitigate it and the progress of that mitigation. There are three risk scores (original, current, and target), with each score expressed as a multiple of the impact and the likelihood of the event occurring.

2.2.4. There are two risks with a 'current' red rated risk score:

1. RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)
2. RM020a – Failure to meet the long term needs of Norfolk citizens.

2.2.5. Risk owners have considered whether the risks will meet the target score by the target date, shown as a prospects score. Twelve risks are assessed as "Amber– some concerns" that targets may not be met, and four are assessed as "Green - on schedule" to meet their target by the target date.

2.2.6. There are three risks with a 'prospects' target red risk score (see note 2 for the definition):

1. RM014b - The savings to be made on Adult Social Services transport are not achieved.

2. RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)

3. 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.

   For each of these three risks, additional mitigations have been introduced to ensure that the risk is managed as effectively as possible.

2.2.7. A reconciliation to the June 2017 Audit Committee report is presented at **Appendix B,** detailing the significant changes to corporate risks since the June 2017 report.

2.2.8. As part of the overall development of the performance and risk management framework for the Council, a new approach to corporate and departmental risk management is being adopted. This new approach involves the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the council.

2.2.9. A key element of this work is cultural change and absolute clarity of roles, responsibilities and process. Specifically, clarity of what these risks are, who is responsible for them, what they are doing to actively manage the risks and what measures are in place to hold people to account.

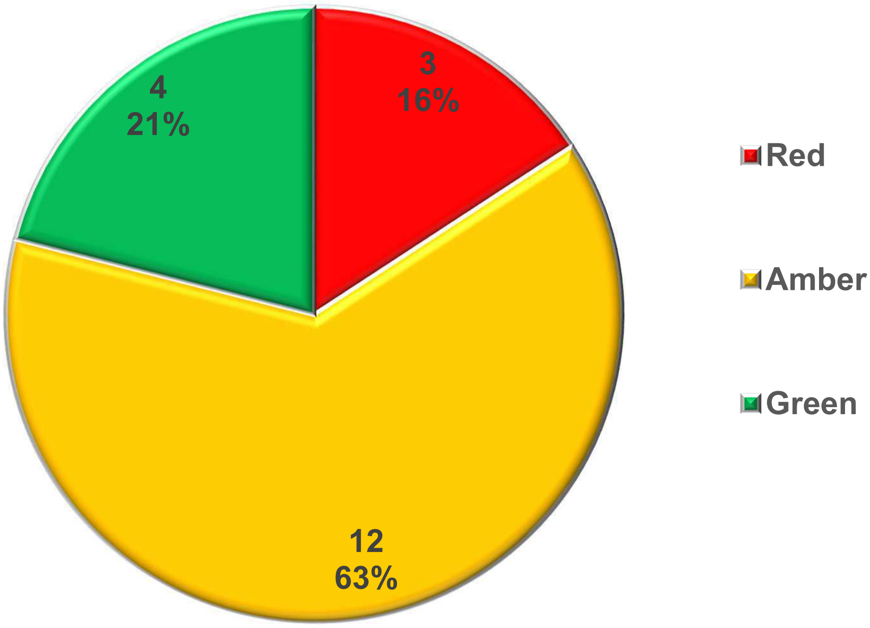
2.2.10. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a new list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C.**

2.2.11. Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' previously presented in an Audit Committee meeting agenda paper, pages 368-378. Risk scores are based on the scoring model found in the Norfolk County Council Management of Risk Framework.

2.2.12. For ease of reference the risks have been plotted on a heat map, in **Appendix D**, to illustrate each risk's relative position measured by likelihood and impact for their current risk score.

2.2.13. The criteria for Corporate and Departmental risks are described at Note 1.
A description of target scores is shown at Note 2.

2.2.14. Fig. 1. Reflects the percentages of risks in each prospects category.



Prospects of meeting target score by the target date

2.2.15 Overall, progress is considered satisfactory, and mitigations are proportionate to the Amber prospects rating.

2.3 Development

As part of continuing development, four themes will be developed as business as usual for Risk Management. These are as follows;

- Strategy into Action / Accountability
- Commerciality / Business like
- Data Analytics / Evidence Based
- Collaboration / Influencing

The following strands are identified for taking forward;

2.4. Strategy into Action / Accountability

- Formalising a strategy to deliver the new RM Policy
- Developing a more Enterprise Risk Management (ERM) approach for NCC
- Being a 'Centre of excellence' for Risk Management

2.5. Commerciality – Business Like

- Developing a traded Risk Management Service to other public sector bodies
- A Service Level Agreement approach for the function.

2.6. Data Analytics – Evidence based

- Develop Risk Management data measures and sources
- Quality Assure the risk register content

2.7. Influencing – Collaborative

- Training plan for NCC managers on Risk Management
- Establish a role for NCC in the Eastern Region ALARM group

3. Risk Management reporting to Committees

3.1. Risk Management is reported separately to Financial and Performance Management at Committees, although there continue to be close links between financial, performance, and risk reporting. The departmental reporting continues to be by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Finance and Performance Reports.

4. Financial Implications

4.1 There are potential financial implications arising from RM017, relating to the NDR, as set out in the report in Appendix B.

5. Issues, risks and innovation

5.1 There are no further corporate risks than those described elsewhere in this report. The Risk Management Strategy 2016-19 will include best practice. The intention is to promote the benchmarking of the function from 'Highly rated against peers' to 'world class'.

6. Background

6.1 The review of existing risks has been completed with responsible officers.

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, i.e. equality impact assessment, please get in touch with:

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Note 1:

A Corporate Risk is one that:

- requires strong management at a corporate level thus the Council Leadership Team 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.

The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Note 2:

The prospects of meeting target tolerance scores by the target dates are a reflection of how well mitigation tasks are controlling the risk. The contents of this cell act as an early warning indicator that there may be concerns when the prospect is shown as amber or red. In these cases, further investigation may be required to determine the factors that have caused the risk owner to consider that the target may not be met. It is also an early indication that additional resources and tasks or escalation may be required to ensure that the risk can meet the target tolerance score by the target date. The position is visually displayed for ease in the “Prospects of meeting the target score by the target date” cell as follows:

- Green – the mitigation tasks are on schedule and the risk owner considers that the target score is achievable by the target date
- Amber – one or more of the mitigation tasks are falling behind and there are some concerns that the target score may not be achievable by the target date unless the shortcomings are addressed
- Red – significant mitigation tasks are falling behind and there are serious concerns that the target score will not be achieved by the target date and the shortcomings must be addressed and/or new tasks introduced.

Appendix A

Risk Number	RM001			**Date of update**					28 June 2017	
Risk Name	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk									
Risk Owner	Tom McCabe			**Date entered on risk register**					01 July 2015	
Risk Description										
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 sustainable communities e.g. good public transport, walking and cycling routes, open space and green infrastructure. 2) Not meeting the funding profiles (e.g. Local Growth Fund) and losing the funding.										
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	4	**12**	3	2	**6**	Mar-18	**Amber**

Tasks to mitigate the risk

1.1) County and District Council staff to compile evidence for Local Growth Fund 3 (LGF3) schemes by LEP deadline (End of 2017) to maximise the chance of success. Funding announced and the Local Enterprise Partnership will make a decision anticipated to be spring 2018.

1.2) Engage with Highways England over recommendations for RIS2 programme over summer 2017. Respond to HE consultation December 2017.

1.3) Actively promote scheme and lobby MP's to secure funding for the Great Yarmouth Third River Crossing. Continue to develop scheme pending Outline Business Case (OBC) decision to ensure current programme is maintained.

1.4) Review Planning Obligations Standards annually to ensure we are seeking the maximum possible contributions from developers. Officer review December 2017. Member adoption March/April 2018.

1.5) Submit business cases for Pooled Business Rates (PBR) funding by end of July 2017 and end of October 2017.

2.1) Manage and oversee development and delivery of individual Local Growth Fund allocation schemes. Undertake consultation and feasibility work to determine priorities.

2.2) Periodically review timescales for S106 funding to ensure it is spent before the end date and take action as required. Periodic reviews up until the end of March 2018 for transport contributions and an annual review process from April to July 2017 for library and education contributions.

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Progress update

Progress update
1.1) LEP pro formas being completed for the priority LGF schemes. 1.2) Acle Straight and East Winch to Tilney dualling identified as key priorities for RIS2. 1.3) Brandon Lewis being engaged to raise profile of scheme in Westminster prior to the OBC decision. Members have agreed to spend £200k to maintain programme pending OBC outcome. 1.4) Review programmed for December 2017. 1.5) Pooled Business Rates bids submitted for development work on the following transport schemes on 31 July: • Dereham study • Market Towns studies • Great Yarmouth strategy • King's Lynn strategy • A140 route study • Norwich Western Link scheme development • NATS development 2.1) Consultation on schemes in Attleborough completed on 13 August. 2.2) Longwater S106 reviewed and it was confirmed that these are all still valid to contribute to the Dereham Road scheme.

Appendix A

Risk Number	RM002	Date of update	07 July 2017
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams		
Risk Owner	Simon George	Date entered on risk register	01 July 2015

Risk Description

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 2017/18- 2019/20 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.

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	4	**12**	3	4	**12**	Feb-18	**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 CLT and members.
Regular finance monitoring reports to Committees.
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.

Overall risk treatment: reduce

Progress update

Government's 2017-18 local government finance settlement reflected in the 2017/18 budget and Medium Term Financial Strategy.
DCLG confirmed on 16th November 2016 that it had accepted the Council's Efficiency Plan which results in a multi year settlement and provides more certainty over the level of future Government funding. The risk impact score has been lowered from 5 to 4 to reflect this.
Policy and Resources Committee on 17 July 2017 considered the latest position and agreed a timetable to consider the 2018/19 budget and future Medium Term Financial Strategy.

Appendix A

Risk Number	RM003	**Date of update**	13 July 2017
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice.		
Risk Owner	Simon George	**Date entered on risk register**	30 September 2011

Risk Description

There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance. This could lead to significant reputational and financial risk for NCC.

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	4	**12**	2	4	**8**	Dec-17	**Amber**

Tasks to mitigate the risk

1) Implementation of SIRO (Senior Information Risk Owner) , CIO (Chief Information Officer), Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities.
2) Ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive, secure against security breaches, and fit for purpose to enable managers to make confident and informed decisions.
3) Ensure that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory standards for information management.
4) SIRO to receive assurance of compliance with statutory and/or national/local codes of practice in relation to information compliance from Information Asset Owners when reporting the Annual Governance Statement.

The current impact score is at 4 to take into account the increase in corporate tools to manage and ensure compliance - Information Asset Register, Policies and Procedures, Training and Awareness Strategy and Business buy-in.
The target date has been changed to take into account recommendations to be undertaken as a result of the ICO Audit.

Overall risk treatment: reduce

Progress update

The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose.
Data cleansing has started in relation to Children's and Adult's social care information pre-procurement.
The council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have idenitified Information Asset Owners (IAOs) associated with them. The SIRO will recieve quarterly exception reports from the IAO's and the IAO's will on a regular basis update these assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians.

Six new Corporate Information Management

Progress update

policies signed off by Business Leads, the Caldicott Guardians and the SIRO, have been implemented within the council along with 30+ Corporate procedures signed off by business leads. In tandem, a communications strategy has been implemented along with a robust Training and Awareness strategy including action and implementation plans.

The Information Commissioner's Office (ICO) audited the Council on the 11th to the 13th October 2016 and the Council has received the final report. The ICO found that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The Executive Summary of this audit has been published.

The Maturity Readiness Plan is being monitored by the Business Intelligence/Information Management Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT.

The Annual Governance Statement is being produced with assurance of compliance to be incorporated.

Risk Number	RM004	**Date of update**	20 July 2017
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.		
Risk Owner	Simon George	**Date entered on risk register**	01 July 2015

Risk Description

Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes The council spends some £600m on contracted goods and services each year.

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	3	**6**	May-18	**Amber**

Tasks to mitigate the risk

1) Agree a standard corporate approach to the management of significant contracts.

2) Conduct a gap analysis, initially focused on the top fifty contracts.

3) Put in place an action plan based on the gap analysis

4) The March 2017 Policy & Resources report should update Members on the procurement procedure.

5) Procurement pipeline to go to all Committees with each Committee to have their own procurement pipeline summary.

6) Appoint a Senior Commissioning Officer for Norse services.

Overall risk treatment: reduce

Progress update

1) CLT agreed the standard approach on 30 June 2016.

2) An initial pilot was undertaken on ten contracts to assess the useability of the contract management standards and associated templates. This was used to refine the templates.

3) A gap analysis of the top fifty contracts and associated categories has been completed, identifying themes and trends in contract management performance. An action plan to address those issues is being developed and will be completed by the end of May 2018.

4) The March 2017 Policy & Resources report updated Members on procurement procedure.

5) The procurement pipeline goes to all Committees and is being tailored to each Committee to show their procurement. It is also being taken up by some departmental management teams.

6) A Senior Commissioning Officer has been appointed for Norse services.

Risk Number	RM006	**Date of update**	13 July 2017
Risk Name	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	01 July 2015

Risk Description

The failure in strategic planning meaning the Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.

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**	Aug-17	**Green**

Tasks to mitigate the risk

1) Clear robust planning framework in place which sets the overall vision and priority outcomes. A council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand
2) Strategic service and financial planning process which translates the vision and priorities into achievable, measurable objectives, with clear 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.
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.

Overall risk treatment: reduce

Progress update

Progress update
1) Full Council agreed a three-year medium term financial and service strategy, including the budget for 2017/18, at its meeting on February 20th 2017. In making their decisions, Councillors had the benefit of a cycle of robust committee discussions about priorities and pressures on services. The new Strategy Director was appointed in April 2017. The new service will focus on building effective intelligence and analytics alongside the Strategy and Delivery unit to develop the County Council plan and monitor the delivery of the Corporate priorities. 2) In agreeing the budget, a detailed review of the deliverability of previously agreed savings was undertaken. As a result, a number of savings were reversed or delayed to ensure sustainability going forward. 3) The County Plan continues to provide the strategic context for the Council, providing direction and guiding strategic and resource choices. 4) Regular performance reporting to committees is focusing attention on poorly performing areas and highlighting areas of good performance. Dashboards are used, providing a summary of key performance indicators (KPIs) which focus on key areas agreed by Members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT). 5) Public consultation took place on specific proposals for savings in 2017/18 and the feedback was considered in detail by councillors. 6) Re-shaping the corporate centre of the council will strengthen corporate oversight, horizon scanning, and strategic planning to marshal evidence and intelligence to support prioritisation and decision making. 7) An early review of the County Council plan is taking place in line with the direction of the new administration with the aim of having a full plan and performance monitoring in place by April 2018.

Appendix A

Risk Number	RM007	Date of update	13 July 2017
Risk Name	Potential risk of organisational failure due to data quality issues.		
Risk Owner	Simon George	Date entered on risk register	01 July 2015

Risk Description

Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff.

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	4	**8**	Dec-17	**Amber**

Tasks to mitigate the risk

1) Implementation of the Information Management Strategy,
Information Governance Framework, Data Protection, Information Sharing, Freedom of Information, Records Management, Managing Information Risk, and Information Security.
2) Information Compliance Group (ICG) has the remit to ensure the overarching Information Governance Framework is embedded within business services and NCC and elements of the IM Maturity Readiness Plan.
3) Ensuring that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory/NCC standards for information management.
4) Ensuring the Mandated E-Learning Data Protection 3 year refresher data - Information sent to CLT and CLG on a monthly basis for review and action
5) NCC is PSN accredited
6) NCC is NHS Information Governance Toolkit compliant to Level 2
7) The implementation of a corporate Records Management solution
8) The implementation of a corporate Identity and Access Management solution

The target date has been changed to take into account any recommendations to be undertaken as a result of the ICO Audit.

Overall risk treatment: reduce

Progress update

The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose.
April 2017 compliance rate for 3 year refresher is 97.6% - 2.6% higher than the target for the vital sign of 95%.
A pilot training programme has been completed concerning increasing data accuracy skills. The pilot was for 32 staff accross all services.
The Council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have idenitified Information Asset Owners (IAOs) associated with them. The SIRO will receive quarterly exception reports from the IAO's and the IAO's will regularly update their assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed

Progress update

with the SIRO and identified to the Caldicott Guardians.
The Information Commissioner's Office (ICO) audited the Council on the 11th to the 13th October 2016 and the Council has received the final report. The ICO found that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The Executive Summary of this audit has been published.
The Maturity Readiness Plan is being monitored by the BI/IM Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT.
Norfolk County Council is NHS IG toolkit accredited for 2017/18, following re-accreditation in March 2017.
There is a data quality audit planned for Q1 of 2017/18, particularly focussing on information asset owners.

A Data Quality Working Group has been established for the Liquid Logic project and has been meeting on a reqular basis to ensure the quality of the information migrated to the new system is in a robust fit for purpose state as per the IM Strategy.

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<table>
<tr><td>Risk Number</td><td colspan="2">RM010</td><td colspan="4">Date of update</td><td colspan="4">18 August 2017</td></tr>
<tr><td>Risk Name</td><td colspan="10">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.</td></tr>
<tr><td>Risk Owner</td><td colspan="2">Simon George</td><td colspan="4">Date entered on risk register</td><td colspan="4">02 September 2015</td></tr>
<tr><td colspan="11">Risk Description</td></tr>
<tr><td colspan="11">Loss of core / key ICT systems, communications or utilities for a significant period - as a result of physical failure, fire or flood, supplier failure, misconfiguration or loss of PSN accreditation - 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: reduce.</td></tr>
<tr><td colspan="3">Original</td><td colspan="3">Current</td><td colspan="5">Tolerance Target</td></tr>
<tr><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Target Date</td><td>Prospects of meeting Target Risk Score by Target Date</td></tr>
<tr><td>3</td><td>4</td><td>12</td><td>3</td><td>4</td><td>12</td><td>1</td><td>3</td><td>3</td><td>Sep-17</td><td>Amber</td></tr>
<tr><td colspan="11">Tasks to mitigate the risk</td></tr>
<tr><td colspan="11">1) Full power down in June 2015, completion of electrical works and test of ability to restore service.
2) Catalogue key ICT systems by 30th Sept 2015 - determine Recovery Time Objectives ("How long to restore") and Recovery Point Objectives ("acceptable amount of data loss") with business owners by 31st Oct.
3) Develop rolling Disaster Recovery test schedule by 30th Nov.
4) Determine target location for Highways Management System, CareFirst, Oracle e-Business Suite and Windows servers
5) Complete voice and data network re-procurement by 31st Dec to mitigate resilience issues, including with telephony, the data network, remote access, mobile devices and schools services.
6) Take necessary steps to retain PSN accreditation.

Overall risk treatment: reduce</td></tr>
<tr><td colspan="11">Progress update</td></tr>
<tr><td colspan="11">1) Full power down completed periodically and procedures updated from lessons learned.
2) Recovery Time Objectives drafted - to be reviewed by the business to ensure that they meet business continuity requirements.
3) Initial set of Disaster Recovery tests have been successfully undertaken, a rolling programme of further tests in being conducted. The proximity of Carrow as a DR facility is not ideal.
4) Cloud-based highways management system has been implemented; CareFirst replacement will be remotely hosted and live by April 2018 with resilient network connections ordered; review of Oracle hosting has been commenced (options to be considered in March 2017); Windows will remain with HPE for the next 2 years but some elements such as eMail will be removed from the arrangements during Q1 2017.
5) Voice and Data network procurement completed January 2016, with the migration to the new service commencing from this date. Key drivers behind the procurement was; to improve performance, improve resilience, reduce the reliance on single points of failure such as County Hall
6) The Council received re-accreditation for PSN compliance on 14/12/16. An audit of the Council's cyber</td></tr>
</table>

Progress update
security arrangements was completed in late March 2017, with the final report from auditors issued on 08/05/17.

As of Febuary 2017:
a. Migration of WAN sites is 95% complete. Each WAN site connects to the new resilient core WAN. The core WAN is comprised of 33 nodes distributed across the County, arranged in a multiple ring based topology. The failure of a single node, or associated core WAN circuit, will not cause loss of service to other parts of the WAN.
b. Key services, such as Internet connectivity, internet proxy services, and DNS services are now hosted within the two resilient Updata data centres.
c. Improved security and segregation of the core WAN allows connections to third parties and cloud providers to be hosted from locations other than County Hall. Several third party connections have already been migrated to the resilient Updata Data Centres, with more planned over the next month. New connections to key partners, such as Liquidlogic, are planned to be installed at multiple geographically diverse locations across the County Hall core WAN.

Planned:
a. Replacement of NCC's contact centre service, with implementation due to be completed by Summer 2017.
b. Phased replacement of NCC's voice service.

Appendix A

Risk Number	RM011				**Date of update**				14 July 2017	
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.									
Risk Owner	Wendy Thomson				**Date entered on risk register**				02 September 2015	
Risk Description										
The failure of leadership to adhere to robust corporate performance practice / guidance, resulting in organisational / service performance issues not being identified and addressed. This could have a detrimental impact on future improvement plans and overall performance and reputation of the 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
3	4	**12**	3	4	**12**	1	3	**3**	Mar-18	**Amber**

Tasks to mitigate the risk

A review of the tasks to mitigate and to reduce this risk was undertaken in April 2016 and the following actions for 2016/17 were identified:-
1) CLT/CLG implementing a new performance management framework to better align priorities, resources and managerial accountability for delivering results. This includes better linking of the new set of performance indicators (vital signs & organisational health measures) with senior manager individual performance appraisal ratings. To continue to implement a set of common leadership objectives (for the third year).
2) For CLT to regularly review the quality and robustness of our people performance management framework and ensure consistent adherence across NCC. To undertake a review and audit in August/September 17 against agreed criteria. To track appraisal completions for end of year appraisals - to ensure year on year improvements at the end of year appraisals - 2016 89% completion rates.
3) CLT to agree focus for further performance management skills development - following assessment of gaps. Particular focus agreed to be on Commerciality and Performance Coaching skills.

Overall risk treatment: reduce.

Progress update

Whilst progress has been made on implementing key actions the risk scores are assessed as remaining the same. It is essential that this work continues with managers to achieve a major shift in the day to day performance routines of all levels of managers. Set out below is progress in the last 12 months:
1) Performance framework in place and communication from MD delivered to confirm expectations for the end of year appraisals and common objectives. Vital signs reporting is in place with reviews at CLT and P&R.
2) It has been agreed that a review of performance appraisals will take place later in the year. The scope is being developed with stakeholders and will be reviewed with a view to sign off by the new Head of HR in September. Tracking is in place on performance appraisals for 2017.
3) An external managerial Assessment and Development of our Leadership population against four priority leadership criteria was completed between November and December. Managers were provided with individual feedback on their performance. CLT has considered the collective organisational feedback which has informed the directed development areas for this group. On-line resources will be launched in the Autumn and procurement is underway to source providers to support identified priority areas.

Risk Number	RM013	**Date of update**	22 August 2017
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.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	02 September 2015

Risk Description

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 2015-16, from page 13, covering Group Accounts available on the Council's website at http://bit.ly/2f0MLP3.

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**	Sep-17	**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 Communities and Environmental Services of 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.

Risk Treatment: Accept.

Progress update

Progress update
1) There are regular Board meetings, share holder meetings and reporting as required. 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 local authority 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 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. The Norse "Consents" backlog has been cleared via reporting to the P&R Committee. All County Council subsiduary limited company Directors have been approved by full council. New Chair of Norse and new Senior Commissioner appointed. Updated report on Norse governance went to P&R in November 2016. 4) The Executive Director of Finance and Commercial Services directs external governance.

Appendix A

<table>
<tr><td>Risk Number</td><td>RM014a</td><td colspan="5">Date of update</td><td colspan="3">10 July 2017</td></tr>
<tr><td>Risk Name</td><td colspan="9">The amount spent on home to school transport at significant variance to predicted best estimates</td></tr>
<tr><td>Risk Owner</td><td>Chris Snudden</td><td colspan="5">Date entered on risk register</td><td colspan="3">04 November 2015</td></tr>
<tr><td colspan="11">Risk Description</td></tr>
<tr><td colspan="11">There is a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates. Cause: Home to school transport being a demand led service. Event: The amount spent on home to school transport is at significant variance with the predicted best estimates. Effect: Significant overspend on home to school transport than has been estimated for. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the complexities involved in sustaining reductions in the need for transport or the distance travelled could result in a continued overspend on the home to school transport budgets and costs not being reduced by the required amount.</td></tr>
<tr><td colspan="3">Original</td><td colspan="3">Current</td><td colspan="5">Tolerance Target</td></tr>
<tr><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Target Date</td><td>Prospects of meeting Target Risk Score by Target Date</td></tr>
<tr><td>3</td><td>3</td><td>9</td><td>4</td><td>3</td><td>12</td><td>2</td><td>2</td><td>4</td><td>Mar-18</td><td>Amber</td></tr>
<tr><td colspan="11">Tasks to mitigate the risk</td></tr>
<tr><td colspan="11">Continue to enforce education transport policy, and work with commissioners re school placements.
Continually review the transport networks, to look for integration and efficiency opportunities.
Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively.
Progress contract with HCT (Hackey Community Transport) to implement a new independence travel scheme previously securing savings in other LA areas.

Look for further, more innovative, ways to plan, procure and integrate transport.

Overall risk treatment: reduce.</td></tr>
<tr><td colspan="11">Progress update</td></tr>
<tr><td colspan="11">Norfolk County Council have now progressed to the contract 'sign-up' stage with Hackney Community Transport to formally start the ‘payment by results’ initiative. The plan over the next 5 years, is for a cohort of 100 pupils per year to be targeted for this intensive work via Hackney Community Transport (HCT). There was a 'start up' meeting on 2 March between the Passenger Transport Unit, Education Inclusion Service, Special School Headteachers and HCT.
First cohorts have been identified by special schools and HCT have been advised.
Contract sign-off is imminent and implementation via HCT will progress through the current summer term. Impact and implementation will be from September 2017.
The recent budget setting process for FY2017/18 has confirmed that the budget will be increased and, therefore, the risk to achieving a balanced budget has reduced for this reason also. We are, therefore, now forecasting to achieve a balanced budget within FY17/18 and recommend that the risk target score is reduced accordingly from 6 to 4.</td></tr>
</table>

Appendix A

Risk Number	RM014b	**Date of update**	17 July 2017
Risk Name	The savings to be made on Adult Social Services transport are not achieved.		
Risk Owner	James Bullion	**Date entered on risk register**	04 November 2015

Risk Description

The risk that the budgeted savings of £3.8m to be delivered by 31 March 2020 will not be achieved.

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**	4	3	**12**	2	3	**6**	Mar-20	**Red**

Tasks to mitigate the risk

1) Whilst we have managed to achieve £0.487m of the budgeted savings, as we were unable to achieve the savings in full, the savings have been reprofiled to future years (2017/18 and 2019/20).
2) A review of transport is also taking place.
3) Transport Guidance has been updated in line with the revised transport policy
4) Refurbishment of a site in Thetford to provide day services and respite care to prevent people from having to travel long distances.
5) Under the Younger Adults of the Promoting Independence Workstream, we're developing a joint approach to disability and transition from Children's to Adults.
6) Exploring the use of an application to help with monitoring of the cost of transport. This application is currently being used by Children with Special Educational Needs.

Progress update

1) P&R agreed to the reprofiling of savings to future years (2017/18 and 2019/20). The target date of the risk has been amended accordingly.
2) Titan training will be rolled out. Currently recruiting to ASS specific posts to enable more people to use public transport.
3) The revised Transport Guidance and Policy was agreed by ASC Committee on 6 March 2017 and shared with staff. This is being implemented for new service users now and for existing people at the point of review. This now links with the work on assessments and reviews as part of the Promoting Independence Programme.
4) NPS (on our behalf) are preparing to submit a planning application for Thetford Site and we will then follow a framework agreement when we come to source the contractor.
5) Joint approach being developed.
6) This is currently being developed.

Appendix A

Risk Number	RM016	**Date of update**	24 August 2017
Risk Name	Failure to adequately embed Business Continuity into the organisation.		
Risk Owner	Tom McCabe	**Date entered on risk register**	10 December 2015

Risk Description

To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a either a Major or Moderate disruption both within and out of core office hours (N.B. this risk will be scored differently for different departments due to different levels of preparedness).

Original			Current			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	3	**6**	Oct-17	**Green**

Tasks to mitigate the risk	Progress update
1) All corporately agreed critical activities must have comprehensive Business Continuity plans. Plans to be agreed at Senior Management meetings.	1) 79% of critical services have plans which are up-to-date. This is an excellent improvement. The Resilience Team audits all plans as they are received and provides feedback to service managers where changes are required. The annual audit completed on 10% of plans has been completed and feedback given to relevant managers.
2) That departments are represented at Resilience Management Board meetings, and fully engaged in delivering actions within the departments they represent.	2) Most departments are represented at meetings regularly. Further work is required on Supplier Continuity. Resilience and Procurement Managers have met to agree a plan of action to strengthen supplier continuity. This involves a checklist of BC standards to which key suppliers are required to adhere; prioritisation of key large or critical suppliers requiring BC plans; and incorporation of BC requirements into contract manager training. A departmental BC assurance document has now been completed for every department and feedback is in the process of being given (all areas are RAG rated) in order to agree actions with department Resilience Board members and Resilience representatives.

Tasks to mitigate the risk	Progress update
3) To develop the Professional Development Centre (PDC) Norwich, which was agreed as a key corporate Work Area Recovery (WAR) site by CLT. First stage is a planned exercise to take place with the Customer Service Centre, second step is to complete an exercise with the Resilience representatives at the PDC. Also, an exercise with the Resilience Management Board and CLT.	3) Work Area Recovery test - stage 1 was completed 27.01.17. This was successful. The exercise tested several elements of the CSC Business Continuity plan, and involved Adult's and Children's services departments. This exercise tested "loss of access to County Hall" not loss of infrastructure at County Hall. The next stage is to assess how other services could use the site, completing invocation documentation, and look at an exercise in the summer to look at the scenario "loss of infrastructure at County Hall". The Resilience Team is collating feedback from the incident involving loss of power to the Data Centre and a debrief report was presented to CLT on the "loss of ICT" due to this incident in early July 2017. The target date for this risk has been amended to 31/10/17 to take into account resource requirements within ICT. ICT have drafted a report showing levels of resilience and where there are gaps. The Resilience Team have reviewed this, but whilst this work and the actions from the "loss of power to the Data centre" report clearly link, agreement is now required on the direction of this work.
4) Complete a Business Impact Analysis every two years and review risks which could affect critical activities. Ensure ICT have incorporated the results of the BIA and the outcome of this work (ICT Continuity) is communicated to the business via the Resilience representatives. Robust ICT Continuity arrangements are required to ensure Business Continuity plans	4) This was completed in 2015 and 93% of BIAs were returned. The Resilience Board has confirmed the critical activities as a result of this process. Resilience representatives completed a session on the risks to critical activities some of which are highly dependent on ICT. Significant risks to critical activities were noted. We are preparing for the next review of BIAs which is September-October 2017.
5) Embedding Business Continuity - Ensure there is a programme of work to embed BC into the organisation. This includes awareness raising initiatives and training for support staff and resilience representatives. Training also includes the BC e-learning package which needs to be reviewed, relaunched, and the uptake monitored. Departments must ensure staff attend training and complete exercises/tests.	5) New training courses were launched last year in both Emergency Planning and Business Continuity and have been well received. These courses will be added to Learning hub. A survey was completed across the organisation to benchmark levels of awareness and understanding. This received a response of 599. An organisational report has been written to summarise the results and this will be discussed at the Resilience Management Board on the 20.07.17 a report has also been completed for every department summarising their responses and actions are being agreed with departments as a result. The online BC e-learning is available. We are reviewing what alternatives we could use and will look to relaunch e-learning across the organisation later in the year. Training and exercising has begun but a full programme of training and exercising needs to be developed. NCC Corporate exercise with Resilience representatives was completed December 2016.

Tasks to mitigate the risk	Progress update
6) Implement the BC Framework	6) Every quarter the Resilience Management Board receive an update of where NCC are in implementing the BC Framework, those actions that are red are reviewed as a priority. This has been developed further by completing a summary for each department, sections are marked as red/amber/green and this has given specific areas of focus for each department. The areas that are red should be linked to departmental risk registers where applicable. Meetings have taken place with all departments apart from Managing Directors, this will be completed in September. Departmental actions as a result have been agreed.
7) Gain assurance that ICT could be recovered in line with timescales detailed within the BIAs. Overall Risk Treatment: Reduce	7) BIA results have been reviewed by ICT, however this work has been placed on hold by ICT awaiting infrastructure project development. Commitment is required from ICT on reviewing the BIA results from September 2017. Further work is required to develop the paper on Resilience drafted by IMT. Following the organisational BC survey there was a large number of responses referring to ICT. A meeting has been scheduled with the Head of IMT to agree how this feedback can be followed up and built upon.

Risk Number	RM017	**Date of update**	29 August 2017
Risk Name	Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)		
Risk Owner	Tom McCabe	**Date entered on risk register**	26 November 2015

Risk Description

There is a risk that the NDR will not be constructed and delivered within budget. Cause: environmental and/or contractor factors affecting construction progress. Event: The NDR is completed at a cost greater than the agreed budget. Effect: Failure to construct and deliver the NDR within budget would result in the shortfall having to be met from other budgets. This would impact on other NCC programmes.

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**	5	5	**25**	5	5	**25**	Mar-18	**Red**

Tasks to mitigate the risk

The total project budget agreed by Full Council (November 2015) is £179.5m. In June 2017, the risk of an increased budget was highlighted. The new assessment reflects the corporate assessment criteria (i.e. 5 x 5) and was agreed at the June EDT Committee. Mitigation measures now reflect the revised position.
1) Project Board and associated governance to continue to monitor cost and programme at monthly reporting meeting.
2) NCC project team to include increased commercial resource to provide scrutiny throughout the remaining works by Balfour Beatty. This will include an independent audit of Balfour Beatty's project costs.
3) Programme to be developed that shows works to be completed as rapidly and efficiently as possible.
4) Project controls and client team to ensure systems in place to deliver the project and prepare for any contractual issues to be robustly handled as works are completed and final account process closed.
5) All opportunities to be explored to reduce risk and programme duration with appropriate management meetings (at appropriate levels) to be held.
6) Provide further assurance of budget management governance through appropriate audits and further specialist advice.
7) Seek further contract/legal advice on key contract cost risks as necessary (linked to item 4 above).

Overall risk treatment: Reduce, with a focus on reducing project costs

Progress update

1) The project Board is in place and monthly reporting on progress, cost and risk is being provided to the Board. Process will also include updates and feedback from the NDR Member Group who are providing additional project scrutiny.
2) The project commercial team has been reinforced to provide increased scrutiny throughout the remaining works. This includes a planned review by external specialists to examine Balfour Beatty's project costs to date. Further resource or specialist advice to be discussed at Board meetings.
3) Contractor has been asked to develop a programme demonstrating the activities necessary to complete all the remaining works. Expected to provide details of the planned phased opening of the NDR (in up to 3 stages). Board and NDR Member Group to be provided with details.
4) Project administration controls and client commercial team are reinforcing systems and staffing levels to monitor ongoing costs and contract information. The specialist review of allowable costs will provide input to any further cost management requirements. Contract administration will continue to be managed through CEMAR software package. Project cost

Progress update
forecasting also to be updated in line with programme (see 3 above).
5) Regular construction meetings held to ensure delivery maintains momentum on site. Further meetings being held between respective commercial teams to deal with closing out necessary contract changes and programme management. Senior management meetings are also being held to discuss the commercial position and find ways of reducing costs. Details to be reported to Board and new NDR Member Group.
Ongoing analysis by the Projects Support Manager assigned to the NDR project will provide additional detailed assessment of project cost issues.
6) A governance (delegated purchasing of land) audit and a contract variations audit are being carried out. The governance audit has been carried out, with the report to follow, and the audit of contract variations is due to start imminently. Further cost analysis by specialist consultants is also planned to commence at the end of August 2017.
7) Specialist contract advice has been requested to deal with specific project issues. The scope of this is under review and may increase. Decisions on this will be discussed at Board and with the Member Group.

Appendix A

Risk Number	RM018	**Date of update**	10 July 2017
Risk Name	Potential failure to move out of intervention.		
Risk Owner	Matt Dunkley	**Date entered on risk register**	01 December 2013

Risk Description

CS Teams do not show the required levels of improved performance at the speed which is acceptable to DfE and Ofsted.

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-18	**Green**

Tasks to mitigate the risk

Quarterly stocktake meetings are undertaken by Essex, commissioned by the Department for Education.
Responsive action plans are designed and delivered following each Ofsted monitoring visit/Essex stocktake.
Our Improvement Plan is in place.
An Improvement Board has been established to drive and monitor improvement activity. This Board is Chaired by the Managing Director and has a senior level, multi-agency membership.

Progress update

Feedback from the June 2017 monitoring visit was positive with Ofsted identifying progress and expressing greater levels of confidence in key areas of previous concern. As a result of our improvement, Ofsted have assessed that we do not require further monitoring visits and as a result, we will be subject to reinspection in the next 6 months.
Feedback from Essex stocktake meetings consistently evidence improvement.
The Improvement Board is well established and is ensuring the requisite pace and focus is maintained.

Appendix A

Risk Number	RM019					**Date of update**			17 July 2017		
Risk Name	Failure to deliver a new fit for purpose social care system on time and to budget.										
Risk Owner	James Bullion					**Date entered on risk register**			24 February 2016		
Risk Description											
A new Social Care system is critical to the delivery and efficiency of Adults and Children's Social Services. This is a complex project and the risk is the ability to deliver on time along with the restriction on making any system changes to the existing system (Carefirst)											
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	4	**4**	Jun-18	**Green**	

Tasks to mitigate the risk

1) Ensure effective governance is in place
2) Set up a project team to manage the project.
3) Determine go live dates for Adults Services, Children's Services, and Finance.
4) Deliver implementation of the new system
5) Complete User Acceptance and Data Migration Testing
6) Deliver change and training

Progress update

1a) Clear governance is in place. The Project Sponsors are Janice Dane (Adults), Don Evans (Children's) and John Baldwin (Finance). This is overseen by CLT: a Programme Board has now been set up to replace JLAG (Joint Leadership Advisory Group) including the Directors of Adults, Children's and Finance and Commercial Services .
1b) There are weekly Joint Leadership Advisory Group (JLAG) Lead sessions with the Project Sponsors and the Project Team; a monthly update provided to Adults SMT and regular updates to Adults Committee and to CLT.
2) A core Project Team has been up and running since January 2016 (with strong practitioner involvement) and the team is now almost fully recruited to. The two Adult Social Services Subject Matter Experts, the Change Managers and the Training Manager are now in post. A network of 110 champions has been established in Adult
Social Services and briefing sessions have taken place. The original user reference group continues to advise the project on social care practice affecting data mapping and system configuration.
3) Adults and Finance are planned to go live on 20 November 2017 and Children's and Finance in April 2018.
4) Delivery of implementation is proceeding in line with the plan. New draft process models and form/plan designs for Adult Social Services (ASS) have been developed, consulted upon and approved. Finance system and case management system configuration workshops with the supplier have been completed.
5) Two of the four rounds of User acceptance and data migration testing have been completed, and the third round is ongoing. Generally the first two rounds completed successfully.
6)Training preparation and Change Management is well under way and a training programme is in place.

Risk Number	RM020a	**Date of update**	18 August 2017
Risk Name	Failure to meet the long term needs of Norfolk citizens		
Risk Owner	James Bullion	**Date entered on risk register**	11 October 2012

Risk Description

If the Council is unable to invest sufficiently to meet the increased demand for services it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.

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**	4	5	**20**	2	4	**8**	Mar-30	**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) A new set of NCC corporate priorities which aims to address longer-term demand management in children’s and adult services

Progress update

1) Promoting Independence change programme established. First set of change activities prioritised and agreed; robust and extended (to 5 years) target demand model in place to model scenarios and set volume and saving targets.
2) Business cases for change prioritised to address key shifts which need to be made; underpinned by and aligned to commissioning and de-commissioning.
3a) Initial plans for investment of additional Better Care Fund monies discussed with Health and Wellbeing Board; clear alignment with Promoting Independence and STP expectations. Significant delays in publication of national guidance on BCF which has delayed production of a local two year BCF Plan. When finalised this will include an Integration Plan with objectives linked to STP.
3b) Performance management arrangements for the BCF to provide additional assurance and progress on shared BCF targets including reablement, and reductions in residential care.
4) Analysis of workload patterns across adults social services; agreement by Adults committee to invest in additional social work capacity and recruitment launched. Critical enabler is embedding strengths-based practice; innovation site to begin 12th September and two further sites to be rolled out.

Appendix A

Risk Number	RM020b	**Date of update**	18 August 2017
Risk Name	Failure to meet the needs of Norfolk citizens		
Risk Owner	James Bullion	**Date entered on risk register**	01 April 2011

Risk Description

If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.

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-18	**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) A new set of NCC corporate priorities which aims to address longer-term demand management in children’s and adult services

Progress update

1) Promoting Independence change programme established. First set of change activities prioritised and agreed; robust and extended (to 5 years) target demand model in place to model scenarios and set volume and saving targets.
2) Business cases for change prioritised to address key shifts which need to be made; underpinned by and aligned to commissioning and de-commissioning.
3a) Initial plans for investment of additional Better Care Fund monies discussed with Health and Wellbeing Board; clear alignment with Promoting Independence and STP expectations. Significant delays in publication of national guidance on BCF which has delayed production of a local two year BCF Plan. When finalised this will include an Integration Plan with objectives linked to STP.
3b) Performance management arrangements for the BCF to provide additional assurance and progress on shared BCF targets including reablement, and reductions in residential care.
4) Analysis of workload patterns across adults social services; agreement by Adults committee to invest in additional social work capacity and recruitment launched. Critical enabler is embedding strengths-based practice; innovation site to begin 12th September and two further sites to be rolled out.

Appendix A

<table>
<tr><td colspan="3">Risk Number</td><td colspan="3">RM021</td><td colspan="3">Date of update</td><td colspan="2">22 August 2017</td></tr>
<tr><td colspan="3">Risk Name</td><td colspan="8">Failure of Estate Management</td></tr>
<tr><td colspan="3">Risk Owner</td><td colspan="3">Simon George</td><td colspan="3">Date entered on risk register</td><td colspan="2">21 June 2016</td></tr>
<tr><td colspan="11">Risk Description</td></tr>
<tr><td colspan="11">There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.</td></tr>
<tr><td colspan="3">Original</td><td colspan="3">Current</td><td colspan="5">Tolerance Target</td></tr>
<tr><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Target Date</td><td>Prospects of meeting Target Risk Score by Target Date</td></tr>
<tr><td>4</td><td>3</td><td>12</td><td>3</td><td>2</td><td>6</td><td>2</td><td>2</td><td>4</td><td>Mar-18</td><td>Amber</td></tr>
<tr><td colspan="11">Tasks to mitigate the risk</td></tr>
<tr><td colspan="11">1) County Farms Performance Review Meeting to be established and attended by officers.
2) Recommendations from the County Farms audit report to be implemented with progress to be noted at the County Farms Performance Review Meetings.
3) Follow-up audit to be established and reported to the January 2017 Audit Committee.
4) Reconstitute the County Farms Review Meeting.
5) Procure a new property data base for the management of the estate.</td></tr>
<tr><td colspan="11">Progress update</td></tr>
<tr><td colspan="11">1) County Farms Performance Review Meeting established and attended.
2) Recommendations have been agreed with officers and Members.
2) Annual Report and Business Plan are being formulated on the back of the report.
3) The Audit Report prepared by BDO (2nd Audit Report) has been put to Audit Committee in January 2017. A further follow up audit will follow the next round of lettings.
4) The County Farms Performance Review Meeting will be reconstituted now that a permanent Head of Property has been appointed.
5) County Farms Team – a new property data base is being procured for the management of the estate.</td></tr>
</table>

Appendix A

Risk Number	RM022	**Date of update**	14 July 2017
Risk Name	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.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	26 July 2016

Risk Description

There are important implications to the Council in four main areas: 1) The Council's EU funded programmes supporting the local economy. 2) The legal base – there are many EU laws that affect the day job of local councils. 3) Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations 4) 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 Council business, planning, and service delivery. Uncertainty on both performance delivery and designation of the Council as Managing Authority following the EU referendum result could lead to an inability to draw down the funding required to manage the programme and have a significant reputation impact on the Council leading to an inability to submit payment claims to the EU. Cause: The EU Referendum held in June 2016, with the UK voting to leave the EU.

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**	4	3	**12**	3	3	**9**	Oct-17	**Red**

Tasks to mitigate the risk

1) Norfolk County Council should continue to monitor the post-Referendum environment and implications via a post Brexit officer Task & Finish Group, to consider responses to the four areas in which the council will be affected (EU funding, legal issues, workforce issues, place-based impact).
2) Engage with the LGA Brexit Sounding Board to keep abreast of local government thinking and to influence post Brexit policy. Establish links with academia to enhance our understanding of what Brexit would mean in practice.
3) Develop principals and framework for regional investment post Brexit to ensure the level of current funding is protected in post EU investment policy, including ask for funds to be devolved locally, so that the economic benefit of the funding is secured.
4) Human Resources to support managers and staff who may be affected by this issue.
5) Meetings to take place with the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills regarding a managed exit from EU funded programmes to ensure NCC's liabilities are met.

Progress update

Progress update
1) CLT agreed that the Interim Head of Economic Development should continue to be the officer responsible and highlight any changes that would impact the council. 2) NCC is represented on the LGA national Brexit Sounding Board by Vince Muspratt, next meeting 22/9/17 (meeting scheduled for May was cancelled). NCC attended a meeting hosted by the LGA, where DCLG were consulting informally on 1) the future of co-operation programmes after we leave the EU, and 2) the arrangements for post Brexit Successor funding in the form of the new Shared Prosperity Fund. The Shared Prosperity Fund will be the subject of a Green Paper for formal consultation in the autumn and our response will need to come before Members. 3) EU programmes (which the council is responsible for) have been implementing actions to bring forward project applications, to ensure they qualify for the government commitment to honour contracts issued before we leave the EU. 4) No further action required. 5) Internal Project Board is aware of NCC liabilities; nplaw have drafted a Deed of Guarantee seeking written assurance from DCLG that they will meet our liabilities in order to close the Programme.

Appendix B – Risk Reconciliation Report

Significant changes to the corporate risk register since the last Audit Committee Risk Management report was presented in June 2017.

Current score changes:

There is one score change to report:

RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)

A confidential report setting out the financial position of the NDR was presented to EDT Committee on 21 June 2017. The reason for confidentiality is that the ability to manage the difficult and commercially sensitive dialogue necessary with the contractor in the coming weeks and months would be significantly compromised. Further updates will be provided to the NDR Member Group and Committee in due course. The current and target risk scores have been amended to 25.

* A significant change can be defined as any of the following;

- A new risk
- A closed risk
- A change to the risk score
- A change to the risk title, description or mitigations (where significantly altered).

Appendix C

Risk management discussions and actions

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 risks that have met the exception reporting criteria and so included in this report, there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. Why are we not meeting our target risk score?
2. What is the impact of not meeting our target risk score?
3. What progress with risk mitigation is predicted?
4. How can progress with risk mitigation be improved?
5. When will progress be back on track?
6. 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 – suggested 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.

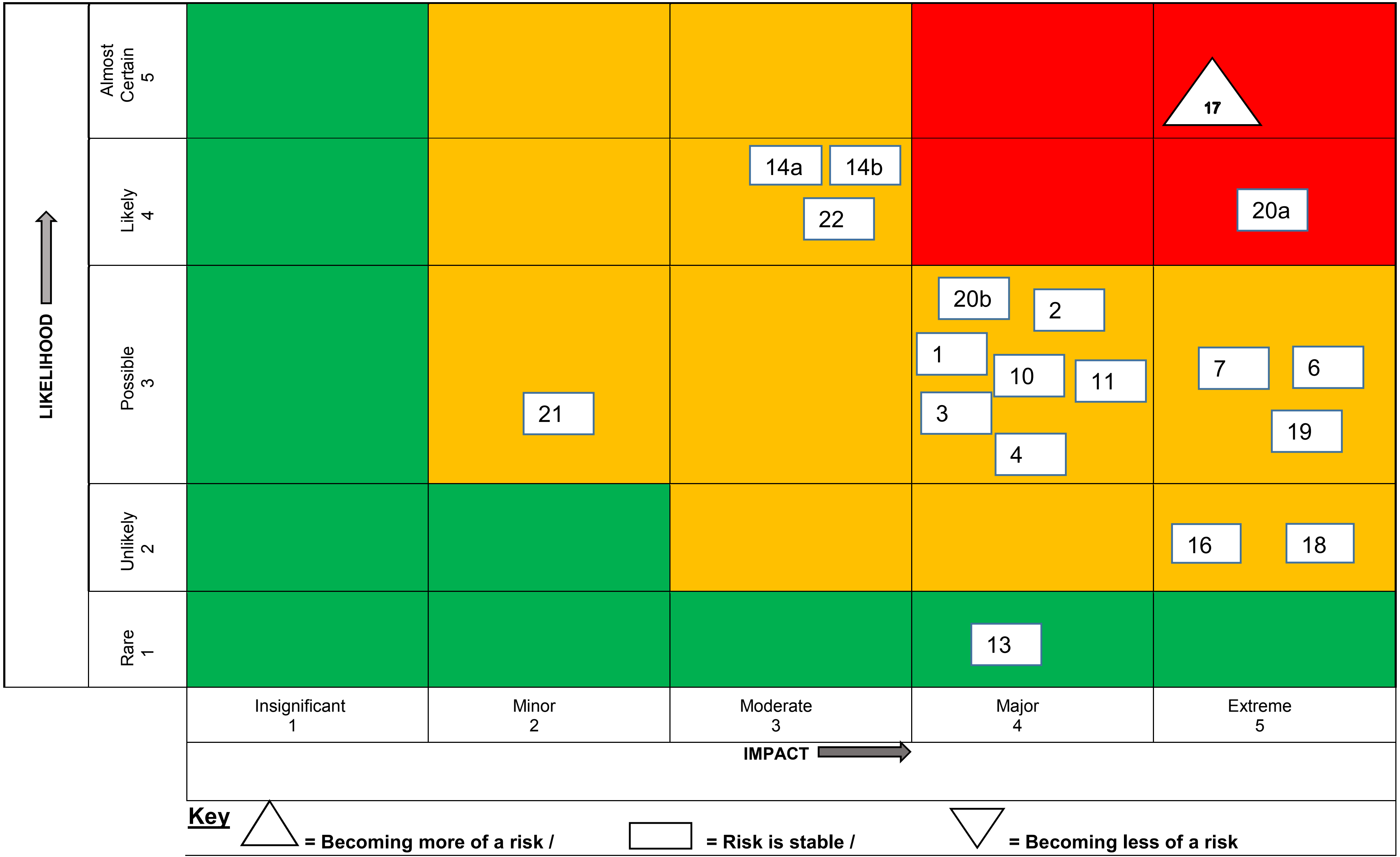
Suggested follow-up actions

	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 to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to 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 County Leadership Team	Identify key actions for risk management improvement and refer to CLT for action
6	Refer to Policy and Resources Committee	Identify key actions for risk management improvement that have whole Council ‘Corporate risk’ implications and refer them to the Policy and Resources committee for action.

Appendix D

No.	Risk description	No.	Risk Description
1	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk.	11	The potential risk of failure to implement and adhere to an effective and robust performance management framework.
2	The potential risk of failure to manage significant reductions in local and national income streams	13	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.
3	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice.	14a	The amount spent on home to school transport at significant variance to predicted best estimates.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	14b	The savings to be made on Adult Social Services transport are not achieved.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.	16	Failure to adequately embed Business Continuity into the organisation.
7	Potential risk of organisational failure due to data quality issues.	17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m).
10	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.	18	Potential failure to move out of intervention.
		19	Failure to deliver a new fit for purpose social care system on time and to budget.
		20a	Failure to meet the long term needs of Norfolk citizens.
		20b	Failure to meet the needs of Norfolk citizens.
		21	Failure of Estate Management.
		22	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.

Corporate Strategic Risks - Heat Map


LIKELIHOOD
Almost Certain 5
Likely 4
Possible 3
Unlikely 2
Rare 1
17
14a
14b
22
20a
20b
2
1
10
11
7
6
21
3
19
4
16
18
13
Insignificant 1
Minor 2
Moderate 3
Major 4
Extreme 5
IMPACT
Key
= Becoming more of a risk /
= Risk is stable /
= Becoming less of a risk

Audit Committee

Item No. ….

Report title:	**Risk Management Policy Report**
Date of meeting:	**21st September 2017**
Responsible Chief Officer:	**Executive Director, Finance and Commercial Services**
Strategic impact One of the Audit Committee's roles is to consider the Council's risk management. The Risk Management Policy details how Risk Management should be implemented throughout the Council in order to achieve the Council's priorities **Caring For Our County**, and is a central part of the overall Risk Management Framework.	

Executive summary

This report provides the Audit Committee with an update following the full review of the Well Managed Risk Norfolk County Council Management of Risk Policy (2014).

In accordance with the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards, Norfolk County Council has a Risk Management Policy, setting out the County Council's commitment to the management of risk.

The current Risk Management Policy was last updated in 2014. Whilst still fit for purpose, there have been a number of changes within the Council and the Risk Management environment that merit inclusion in an updated Risk Management Policy.

A significant change since the last policy update is the introduction of new Council priorities from the May 2017 County Council election. The updated Risk Management Policy commits to contributing to successfully implementing the Council's priorities **Caring for our County.**

This report provides the Committee with the updated Risk Management Policy and list of accompanying Procedures which can be found in Appendix A.

Recommendations:

Committee Members are asked to:

- consider the content of the updated Risk Management Policy and the list of Risk Management Procedures
- approve the revised Policy
- recommend adoption of the revised Policy to the Policy and Resources Committee

1. Introduction

1.1. The policy document sets out the County Council's commitment to the management of risk. It states the principles that will be aspired to and outlines the main benefits that are envisaged to be realised by its use.

1.2. The documents set out the County Council's commitment to the management of risk to ensure that we meet the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards and fulfils the Constitution's Financial Regulations (ref. here to follow). The Policy takes forward the recommendations set out in the Council's Performance Management Framework agreed in August 2015, aligned with best practice.

1.3. The Policy covers the purpose and principles of Risk Management, roles and responsibilities, approach taken, monitoring and audit, and the Policy's review. Additional detail is presented in the accompanying Procedures, which are specific to different areas of Risk Management.

1.4. As part of the ongoing Risk Management review process, the Policy and Procedures are to be fully reviewed and revised every two years. The policy documents were last revised and approved by Audit Committee in June 2014 and subsequently adopted by Full Council.

1.5. Appendix A to this report contains the updated Risk Management Policy, a list of the new Risk Management Procedures.

2. Risk Management – Policy and Procedures

2.1. The content of the documents is based on the ISO 31000 International Standard for Risk Management and Enterprise Risk Management core concepts. Effective Risk Management supports the Annual Governance Statement and is a key element of corporate governance within the CIPFA corporate governance framework.

2.2. The documents have been reviewed and revised, incorporating feedback from key stakeholders across the County Council, including Risk Coordinators, and the County Leadership Team.

2.3. Following the review, a number of changes have been made to the policy including;

- The previous Risk Management Framework document has been amended to a suite of Risk Management Procedures.
- Department based Risk Coordinators have been noted in the updated Policy, and their role has been outlined.
- Movement to an Enterprise Risk Management approach whereby there is a holistic view of common cross-departmental risks, which require unified management at a corporate level.

- Adjusting the Risk Management Process to identify, prioritize, mitigate, and report risks, and measure how successfully they have been managed, using qualitative and quantitative measures.

2.4. Further clarification has been included on risk appetite and tolerance in the Risk Appetite and Tolerance Procedure to give a better understanding of the approach to risk management. These are the factors that determine the amount of risk that we are willing to take when balancing risk and reward. These factors must also be considered when seeking to create opportunities for the County Council to deliver its priorities and achieve necessary savings.

2.5. The revised Policy and Procedures will form part of the evidence used to inform the CIPFA / Alarm benchmarking club report. They also provide the guidance documents for external audits of the Council's risk management, and are considered in the Council's Annual Governance Statement each year.

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, i.e. equality impact assessment, please get in touch with:

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Email address :	adrian.thompson@norfolk.gov.uk		
Officer name :	**Thomas Osborne**	**Tel No. :**	01603 222780
Email address :	thomas.osborne@norfolk.gov.uk		

IN TRAN communication for all

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Norfolk County Council

If you are reading a printed version of this document you should check the Risk Management pages on iNet to ensure you have the most up-to-date version.

Appendix A

Risk Management Policy

1. Policy Statement

1.1 Norfolk County Council will ensure that risks to the delivery of its priorities are appropriately managed in accordance with the Council's Risk Management Framework in order to fulfil the Financial Regulations (part 4.3), as set out in the Council's Constitution (part 7.7). The policy and framework of procedures will comply with the Accounts and Audit (England) Regulations 2015 (Part 2, Internal Control 3(c)) and the Public Sector Internal Audit Standards.

2. Purpose and Principles

2.1 Risk Management, alongside Performance Management and Financial Management, plays an important role in delivering the Council's priorities, the Council Plan, and supports the objectives of the Medium Term Financial Plan. The policy will set out the definition of risk, the roles and responsibilities within Risk Management, the approach taken to risk management within Norfolk County Council, the monitoring and audit of the policy, and its review.

2.2 The Risk Management Policy and Procedures form part of the overall Performance Management Framework, which incorporates all Risk Management documentation and activity,(i.e. Risk Management training), approved by the Council in August 2015.

2.3 Risk can be defined as **"an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives"**.

The terms 'risk' and 'issue' are occasionally confused with each other so here are some points to consider when determining whether something is a risk or an issue:

- Issue may be defined as 'a previously uncertain event that has occurred'
- A risk relates to an uncertain event that has yet to occur
- An issue relates to a certain event or situation
- A risk is a potential issue, an issue is a risk that has occurred
- Risks are to be mitigated in case they happen, issues are to be resolved.

2.4 The purpose of the risk management policy is to establish and support the internal controls of the Council's strategic and departmental risk management function, including the provision of assurance and governance. The policy will set out the following;

- the definition of risk,
- the roles and responsibilities within Risk Management,
- the approach taken to risk management within Norfolk County Council
- the monitoring and audit of Risk Management within the Council
- the review of the Policy itself

2.5 The following principles are drawn from Internal Audit principles and are appropriate for being applied to Risk Management throughout the County Council, and for relationships with connected third parties, through the application of the framework of procedures:

1. **Creates and protects value**
2. **Is an integral part of our organisational processes**
3. **Is part of our decision making**
4. **Explicitly addresses uncertainty**
5. **Is systematic, structured and timely**
6. **Is based on the best available information**
7. **Takes human and cultural factors into account**
8. **Is transparent and inclusive**
9. **Is dynamic, iterative and responsive to change**
10. **Facilitates continual improvement and lessons learned**

2.6 Further details of the Risk Management Principles above can be found in Appendix 1 to this Policy.

3. Roles and Responsibilities

3.1 This policy applies to:

- **All staff** (including all permanent and temporary employees, agency and casual staff)
- Third parties doing business with the County Council (for example contractors), or acting jointly or in partnership with the County Council
- Volunteers, students, interns, and trainees doing placements with the County Council

3.2 It is the **responsibility of everyone** who works for Norfolk County Council, or who has a vested interest in the Council's objectives, to be alert to the potential risks that the Council is able to control. Within the Council, Committee members approve the risk appetite and tolerance for the Council, with Executive Directors or other nominated senior managers as appropriate as the designated risk owners for corporate risks. There are groups and officers with specific responsibilities:

- Committee Members (County Councillors)
- The County Leadership Team and Departmental Management Teams
- The Executive Director of Finance and Commercial Services
- The Chief Internal Auditor
- The Risk Management Officer
- Departmental Risk Coordinators
- Departmental Managers

  Further details of the Risk Management roles of the above stakeholders can be found in Appendix 2 below.

4. Approach Taken

4.1 We will implement, manage, and report on this policy by following the framework of seven procedures and supporting documents listed in the Procedures Index in Appendix 3.

4.2 This policy and accompanying procedures will be made available to all staff at Norfolk County Council via the County Council intranet site.

4.3 The Risk Management Officer or appropriate senior manager should present quarterly Risk Management reports to Committee, detailing the Committee's risks. These reports should contain risks reported by exception (all of the Committee's current corporate or departmental level risks with a score of 12 or more, with the prospects of meeting the target score by the target date at amber or red), with Committees receiving a full risk register containing all of their Committee's corporate or departmental level risks once or more per financial year.

4.4 A training needs analysis will be undertaken with staff affected by this document. Based on the findings of that analysis, appropriate training will be provided to staff as necessary.

5 Monitoring and Audit

5.1 Compliance with the policies and procedures will be monitored by the Risk Management Officer and Risk Coordinators.

5.2 Given the structural relationship between Risk Management and Internal Audit (Risk Management is part of Internal Audit), external audits will be carried out periodically to provide external assurance of effective risk management within Norfolk County Council.

6. Review of Policy

6.1 This policy should be reviewed regularly, and as a minimum, once every two years.

7. Definition of Terms

7.1 There is a separate Risk Management glossary which can be found alongside the Risk Management Procedures, listed at Appendix 3.

8. References

Council Constitution Part 7.4 Risk Management (part 4.3)

The Accounts and Audit (England) Regulations 2015, and the Public Sector Internal Audit Standards (Part 2, Internal Control 3(c)).

Decker, A. and Galer, D. (2013) *Enterprise Risk Management Straight to the Point*, ERMSTTP, LLC

9. Version Control

Version Number	Revision Date	Change Description	Changed Name	Approved Name	Comments
0.1	17/10/16	Draft Version	Thomas Osborne		
0.2	22/11/16	“ “	Thomas Osborne		Feedback from Risk Coordinators factored in to revisions made.
0.3	28/07/17	“ “	Thomas Osborne		Feedback from Chief Internal Auditor

Appendix 1

1. Creates and protects value
We will ensure that risk management supports the achievement of our objectives at all levels and the improvement of our performance in areas such as financial management, health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, customer services, project and partnership management, business continuity, governance and reputation.

2. Is an integral part of our organisational processes
We will ensure that risk management is part of our management responsibilities and an integral part of all of our processes, including strategic and service planning as well as financial, partnership, project management and change management.

3. Is part of our decision making
We will ensure that risk management helps decision makers deliver informed choices, prioritise actions and distinguish between alternative courses of action.

4. Explicitly addresses uncertainty
We will ensure that risk management explicitly takes account of uncertainty, the nature of that uncertainty and the ways it could be addressed, through treating, preventing, transferring, or ignoring.

5. Is systematic, structured and timely
We will ensure that a systematic, structured and timely approach to risk management contributes to improved efficiency and consistent, comparable and reliable results.

6. Is based on the best available information
We will ensure that the inputs to the process of managing risk are based on valid and relevant information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement.

7. Takes human and cultural factors into account
We will ensure that risk management recognises the capabilities, perceptions and intentions of all stakeholders, both external and internal, that could facilitate or hinder the achievement of our objectives.

8. Is transparent and inclusive
We will ensure the appropriate and timely involvement of stakeholders at all levels throughout the County Council.

9. Is dynamic, iterative and responsive to change
We will ensure that risk management continually anticipates and responds to change, both internally and externally, to ensure it remains relevant and up-to-date.

10. Facilitates continual improvement
We will continually review, develop and implement processes to improve the risk management maturity throughout the County Council, including considering lessons learned.

Appendix 2

The roles of the stakeholders with specific responsibilities for Risk Management are as follows;

Committee Members (County Councillors)	Committee Members: • Approve the Council's risk appetite and risk tolerance, and provide challenge and steer on the risks that their committee departments face. • Consider and approve the work that Executive Directors undertake to ensure that the risk management function demonstrates continued assurance to committee that risks are being effectively managed within the Council.

Audit Committee	The Audit Committee has an important oversight role to perform for corporate Risk Management. Audit Committee Members:
	
	• Scrutinise and challenge;
	  ○ options for managing corporate risks
	  ○ risk scores
	  ○ risk mitigations

County Leadership Team / Departmental Management Teams	Executive Directors: • Form part of the County Leadership Team, taking ownership of, and having input into, their department's risks and corporate risks. The Departmental Senior Management Teams: • Support, challenge, and provide steer on the mitigation of the departmental risks that are formally documented in their departmental risk registers.
The Executive Director of Finance and Commercial Services	The Executive Director of Finance and Commercial Services: • Has executive responsibility for risk. • Is responsible (as delegated by the Managing Director) for ensuring effective systems and processes are in place to deliver the information security agenda. • Is responsible for reporting any relevant information risk to the County Leadership Team.

Chief Internal Auditor	The Chief Internal Auditor: • Is the head of the risk management function, representing risk management at senior management level (County Leadership Team) board meetings at Norfolk County Council. • Evaluates and reports risk management activity for Norfolk County Council.
Risk Management Officer	The Risk Management Officer: • Directly supports the Chief Internal Auditor in the operation and delivery of the risk management function for Norfolk County Council. • Is responsible for setting and delivering the risk management policy, framework, and strategy. • Is responsible for reporting and presenting risk management reports to Committee boards.
Departmental Risk Coordinators	Departmental Risk Coordinators: • Support the Risk Management Officer in delivering the risk management policy and strategy within their department.
Departmental Managers	Departmental managers: • Identify risks within their service department and act upon these by either logging the risk on their service risk

	register, or if it is a very low level risk, managing it within their team until it has been mitigated. • Manage the risks affecting their service area day to day.

Appendix 3

Index of Procedures and other related documents

- Introduction to the Risk Management Policy and Procedures
- Changes to the existing Risk Management Policy
- Risk Management Policy Procedure - Categorising Risks
- Risk Management Policy Procedure - Review of Risks
- Risk Management Policy Procedure - Risk Appetite and Tolerance
- Risk Management Policy Procedure - Risk Reporting
- Risk Management Policy Procedure - Risk Scoring
- Risk Management Policy Procedure - Training and Development
- Risk Management Policy Procedure – Risk Management Process
- Technical Notes
- Risk Management Glossary

Audit Committee

Item No. 16

Report title:	**Anti-Fraud and Corruption Strategy Update**
Date of meeting:	**21st September 2017**
Responsible Chief Officer:	**Chief Legal Officer.**

Strategic impact
It is the role of the Audit Committee to have oversight of the anti-fraud and corruption arrangements of the Council including the strategy, policies and any associated guidance.

The Audit Committee also reviews, considers, approves and monitors the strategy and considers the adequacy and effectiveness of the arrangements for anti-fraud, bribery and corruption.

Executive summary

One pound lost to fraud means one pound less for public services and the achievement of the Council's priority of 'Caring for Norfolk'.

This report provides the Audit Committee with a summary of the proposed changes to the Anti-Fraud and Corruption Strategy and Associated policies following a review against the document: Fighting Fraud and Corruption Locally, The Local Government Counter Fraud and Corruption Strategy 2016-2019.

Under Para 4.5.1 of the Council's Financial Regulations (Section 7 7 of the Constitution), the Council is committed to maintaining a strong anti-fraud and corruption culture by:

- Encouraging prevention;
- Promoting detection;
- Identifying clear pathway for investigation; and
- Fulfilling the requirements of Section 17 of the Crime and Disorder Act 1998

In 2016, The Chartered Institute for Public Finance and Accountancy (CIPFA) produced the document 'Fighting Fraud and Corruption Locally - The local government counter fraud and corruption strategy (2016 – 2019).

The strategy has been endorsed by the Parliamentary Under Secretary of State (Minister for Local Government) with an expectation that it will be adopted by local authorities to assist with a national approach to tackling financial crime.

Under the Bribery Act 2010, the corporate offence of failure to prevent bribery means that commercial organisations and their boards may be exposed to criminal liability if it is found that adequate procedures to prevent bribery have not been implemented.

In the changing context of how the Council's services are delivered, it is recognised that increasingly, NCC's service lines are trading on a more commercial basis and therefore there may be an increased risk of corporate bribery liability.

Nationally, there has been a notable increase in the detection of fraud committed by those in positions of authority. One study undertaken by KPMG in 2016 found that those in management positions were implicated in 58% of frauds detected across the midlands counties, including East Anglia.

When taking such studies into account, it is clear that robust reporting methods must be in place to ensure that allegations of fraud, bribery and corruption can be reported freely and without fear of repercussion.

The updated strategy and policy modifies the arrangements in place at the Council with the intention of producing a more measurable response to tackling fraud, bribery and corruption, adopting the national strategy and industry best practice and: provides a single counter fraud, bribery and corruption policy, appropriate reporting lines and methods for investigation.

Recommendations:

Committee Members are asked to:

- Consider the content of the updated Strategy (**Appendix 1**) and Policy (**Appendix 2**)
- Consider the content of the proposed Activity Plan (**Appendix 3**)
- Approve the revised Strategy and Policy, and Activity plan.
- Recommend adoption of the revised Strategy and Policy to the Policy and Resources Committee.

1. Introduction

Anti-Fraud, Bribery and Corruption Operational Strategy (Appendix 1)

1.1. The revised Anti-Fraud, Bribery and Corruption Operational Strategy document sets out the County Council's commitment to tackling fraud, bribery and corruption risks.

1.2. The document has been updated with the intention of turning the current and national strategy into a set of operational criteria to direct the counter fraud, bribery and corruption related activity the councils undertakes, so that is proportionate to the risks identified.

1.3. The strategy and criteria have been designed so that an annual assessment can be made of the counter fraud, bribery and corruption provision in place at the council to identify areas of good practice, as well as identify where improvements can be made to enhance counter fraud work in the future, leading to a robust action plan which will be monitored. The assessment process has been detailed within the strategy.

Anti-Fraud, Bribery and Corruption Policy (Appendix 2)

1.4. The Councils five Anti-Fraud and Corruption Policies have been reviewed and an Anti-Fraud, Bribery and Corruption policy has been developed to codify the existing arrangements into a single policy. In doing so it is intended that a united approach to tackling financial crime is promoted throughout the Council and those who do business with it.

1.5. The main revisions to the existing policies include:

- A single policy for all those associated with the Council to be aware of
- Clear definitions for Fraud and Bribery Offences
- Clear reporting lines to ensure that allegations of fraud, bribery and corruption can be reported freely and without fear of repercussion.
- Strengthening the Council's position on the Bribery Act 2010
- Strengthening the deterrent effect of the policy
- A response plan
- Defined roles and responsibilities
- Codified sanctions and redress.

Anti-Fraud, Bribery and Corruption Activity Plan.

1.6. In addition to the strategy and policy, an activity plan has been developed outlining the proactive activities to be undertaken for the remainder of the financial year (ending 31 March 2018) at **Appendix 3**.

1.7. The activity plan is focused on identifying and targeting areas within the Council which are vulnerable to the risk of fraud, bribery and corruption and; to raise awareness and contribute towards a robust anti-fraud, bribery and corruption culture.

1.8. The activity plan is a flexible document and as such is open to revision to account for changes in operational priorities throughout the year.

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, i.e. equality impact assessment, please get in touch with:

Officer name :	**Adrian Thompson**	**Tel No. :**	01603 222784
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Support :	**Andrew Reeve**	**Tel No. :**	01603 222746
Email address :	andrew.reeve@norfolk.gov.uk		

If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

NCC Anti-Fraud, Bribery and Corruption Operational Strategy - (v2017)

1. Introduction

No organisation regardless of its structure, size or business activity is immune from the risk of Fraud, Bribery or Corruption (including theft). Surveys are regularly carried out in an attempt to estimate the true scale and cost of fraud to business, government and society. Although findings vary, and it is difficult to obtain a complete picture as to the full extent of the issue, it is widely recognised that fraud is a prevalent issue within Local Government at a cost estimated in excess of two billion pounds per year.

Norfolk County Council (NCC) is one of the largest organisations in the county employing approximately 20,000 people across its service lines, and having gross expenditure of around £1.41bn in 2016 alone.

Fraud

The Fraud Act 2006 came into force on 1 July 2007 and created three main criminal offences:

Fraud by false representation;
Fraud by failing to disclose information; and,
Fraud by abuse of position.

For fraud to occur it must be established that the offenders conduct is dishonest, and it is their intention to make a gain, or cause a loss (or the risk of a loss) to another.

Upon conviction, offences of fraud carry a maximum sentence of 10 years imprisonment.

Bribery and corruption

The Bribery Act 2010 reformed criminal law regarding bribery related offences, making it easier to tackle this offence proactively in both the public and private sectors. Four main offences of bribery were created as a result of the act:

- Offence of bribing another person

- Offence of being bribed
- Bribery of foreign public officials
- Failure of commercial organisations to prevent bribery

The corporate offence of failure to prevent bribery means that commercial organisations (including public organisation's wholly owned companies, subsidiary companies, and traded services) and their boards may be exposed to criminal liability if it is found that adequate procedures to prevent bribery have not been implemented.

Bribery is generally defined as giving or offering someone a financial or other advantage to encourage that person to perform their functions or activities improperly or; to reward that person for having already done so; or requesting, agreeing to receive or accepting the advantage offered.

Upon conviction, offences of bribery carry a maximum sentence of 10 years imprisonment and unlimited fines.

NCC is committed to the eradication of fraud, bribery and corruption and to the promotion of high standards of integrity. Fraud, Bribery and Corruption are not acceptable, and will not be tolerated. One pound lost to corrupt practices means one pound less for public services and the achievement of NCC's priorities, which are:

- Caring for your money
- Caring for your family
- Caring for your community
- Caring for your health and well being
- Caring for your roads and environment
- Caring for your economy

To deliver on these priorities there is a need to maximise NCC's available financial resources. NCC recognises its responsibility to protect public funds and we will endeavour to implement secure systems and promote high standards of conduct.

We will investigate and seek the strongest possible sanctions against those who seek to defraud or steal from the Council and prioritise the recovery of funds lost to fraud, bribery and corruption. This includes our own Members, Employees, Contractors, Partners and Suppliers, Members of the public, other Individuals, and organisations the NCC does business with.

Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Anti-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.

This document sets out and provides information on NCC's response to the document **'Fighting Fraud and Corruption Locally, The local government**

counter fraud and corruption strategy 2016 – 2019' and; how NCC undertakes a realistic assessment of its counter fraud, bribery and corruption provision on an annual basis.

2. Overview of the Operational Strategy

To support NCC in implementing appropriate measures to counter fraud, bribery and corruption, a suite of anti-crime goals have been developed that encompass the FFCL strategy. Having these goals in place and creating work programs to attain them helps to protect NCC against financial crime and assists with ensuring resources are used for their intended purpose. It is the responsibility of NCC as a whole to ensure it meets the required standards however, one or more departments or individuals may be responsible for implementing a specific task area. The key departments or individuals likely to be involved in helping NCC meet the fraud, bribery and corruption requirements are finance, internal and external audit, risk, communications, human resources, training and Development, all Executive Directors and the Managing Director.

NCC's anti-crime goals are set out below. There are three sections that follow the FFCL Strategy as well as an additional section regarding governance:

Govern: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.

Acknowledge: acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Prevent: preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Pursue: punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

3. Scope of the Operational Strategy

This operational strategy (and NCC's associated policies/guidance) aims to provide assurance that a robust counter fraud, bribery and corruption culture is promoted and embedded across NCC's members, employees, consultants, suppliers, contractors, outside agencies and their employees and any other party that NCC is in a formal partnership relationship with, including the wholly owned companies,

And:

That any financial irregularity or suspected financial irregularity or allegation of Fraud, Bribery or Corruption involving any of the stakeholders mentioned above is promptly reported via the correct reporting lines and investigated to a conclusion.

4. Approach

3.1 In compiling this operational strategy, NAS have considered NCC's Priorities and objectives and have also incorporated guidance and best practice of combatting fraud within local government, devised from a number of different sources as follows:

- National Fraud Authority (NFA): Fighting Fraud Locally - The Local Government Fraud and Corruption Strategy 2016-2019
- National Fraud Authority: Annual Fraud Indicator
- CIPFA Managing the Risk of Fraud.

3.2 '**Fighting Fraud and Corruption Locally (FFCL), the local government counter fraud and corruption strategy 2016 – 2019'**

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government.

Fighting Fraud and Corruption Locally recognises these challenges and the need for a cost effective way to reduce fraud. The strategy calls for a greater emphasis on prevention and the recovery of losses through criminal activity and highlights the need to create new arrangements to ensure that local authorities retain a resilient response to fraud, bribery and corruption.

NCC shares this ethos and has created this operational strategy in pursuance of turning strategy into action to ensure that NCC's counter fraud response is effective and: those involved in counter fraud activities have a robust framework to undertake their duties.

5. Norfolk County Council Fraud, Bribery and Corruption Operational Criteria.

To enable NCC to direct its anti-crime goals into an actionable work plan, 23 operational criteria have been created that encompass the FFCL strategy.

The criteria have been designed so that an assessment can be made of the counter fraud, bribery and corruption provision in place at NCC and identify areas of good practice, as well as where improvements can be made to enhance counter fraud work in the future.

Further details of how NCC assesses itself against the anti-crime goals can be found in section six.

Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC

1. Elected members, Directors, Heads of Service and all those charged with governance demonstrate top level strategic support for all anti-fraud, bribery and corruption related activity at NCC.

2. Risk Assessments are carried our periodically to identify and understand fraud, bribery and corruption risks. The anti-crime activities undertaken are proportionate to the level of risk identified and the activities are risk based.

3. NCC reports annually on the anti-Fraud, bribery and corruption activities undertaken and where further action is required to improve performance, this is detailed therein.

4. Accredited staff are utilised effectively to undertake a range of anti-fraud, bribery and corruption work including reactive investigation work to hold those who commit fraud, bribery or corruption to account, as well as proactive activities to deter potential fraudsters from criminal activity.

5. Counter fraud staff keep up to date with relevant legislation, as well as guidance issued by relevant bodies such as the Department for Communities and Local Government (DCLG), the Local Government Association, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Police.

6. Robust communication arrangements are in place between staff who undertake counter fraud, bribery and corruption related activities and other key departments and traded services within NCC.

7. Those charged with the responsibility for counter fraud, bribery and corruption activities partake in continued professional development (CPD) periodically to ensure they are up date with legislation and the latest counter fraud techniques.

Acknowledge - Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

8. There is an annual program of work with the intention of turning the operational criteria into action and embedding a counter fraud culture throughout NCC. Multiple platforms are utilised to ensure NCC's commitment to tackling Fraud, Bribery and Corruption is commutated effectively including: face to face meetings, presentations at events, E-learning (mandated for key stakeholders), emails, social media, newsletters, crime awareness toolkits provided by organisations such as CIPFA and, other available awareness platforms.

9. The Counter Fraud, Bribery and Corruption Policy is reviewed and updated annually to ensure it is up to date with current legislation and industry best practice. Activity is undertaken on a regular basis to promote awareness of the policy and its provisions.

10. The risk of Fraud, Bribery and Corruption is acknowledged and referenced within key policies to create a suite of Counter Fraud, Bribery and corruption arrangements intended to embed a counter fraud culture throughout NCC.

11. There are arrangements in place for the reporting of fraud, bribery and corruption concerns which are publicised and promoted throughout NCC and those it does business with. Staff awareness of the reporting process is tested periodically.

12. There are arrangements in place for the monitoring and review of the NCC Standards of Conduct and Behaviour Policy along with the associated registers for external interests and gifts and hospitality. Staff awareness of policy, and the reporting mechanisms in place for declaring interests is measured periodically.

Prevent – preventing, deterring and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

13. All staff within NCC are provided with knowledge (proportionate to their role) of what constitutes fraud, the fraud risks that are prevalent, and how to report concerns. Staff knowledge is tested periodically.

14. There is a system of monitoring, follow up and review in place relating to new and emerging fraud, bribery and corruption risks. Where identified, warnings are issued to relevant departments so that prevention measures can be implemented.

15. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity throughout NCC's service lines to include: LA Maintained Schools, Norfolk Infrastructure, Adult Social Care and Children's Services. Where fraud has been identified, root cause analysis is undertaken and prevention and deterrence measures implemented where necessary.

16. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity in the area of procurement to include: Conflicts of Interest, Bribery, False Quotes and Tenders, Manipulating Tender Processes and Contract Splitting. Additionally, procurement staff are made aware of the prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken.

17. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity in the area of banking control, invoice fraud and mandate fraud to include: financial system access, segregation of duties, banking fees, supplier bank details changes, authorised persons and delivery checks. Additionally, relevant staff are made aware of the prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken.

18. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity in the area of payroll fraud to include: Recruitment, Illegal working, Working Whilst Sick, Secondary Employment, Overtime and Expenses. Additionally, relevant staff are made aware of the prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken.

19. There are proportionate processes in place for the prevention, detection and deterrence of cyber-crime related fraudulent activity. Additionally, relevant staff are made aware of the prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken

Pursue - punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

20. All reports, allegations and investigations relating to financial crime are recorded in a central register to inform intelligence, comply with legislation and assist with identifying repeat offences.

21. Research and development activities are undertaken periodically to assess and implement measures for detecting fraud, bribery and corruption through the use of technology across NCC's service lines.

22. Consideration is given to the appropriate investigation methods for all allegations of fraud, bribery or corruption on a case by case basis to ensure that: the recovery of financial losses is prioritised from the outset through an assessment of likelihood and viability.

23. NCC supports the investigation of allegations of fraud, bribery and corruption. Following an initial assessment, investigations relating to financial crime are undertaken by an Accredited Counter Fraud Specialist (or equivalent) and compliant with relevant legislation. Evidence is collected lawfully and without regard to any anticipated outcome of an investigation, whether it is disciplinary action, civil action or criminal proceedings.

6. Assessment

The aim of this operational strategy is to ensure that a robust counter fraud, bribery and corruption provision is embedded throughout NCC.

To assist with achieving that aim, Norfolk Audit Service will undertake an annual assessment of how NCC has performed as a whole against the operational criteria as set out in section five. The assessment will be included in the Counter Fraud, Bribery and Corruption annual report.

The annual assessment will be evidence based with the intention of highlighting good practice, as well as identifying areas of improvement which will be fed into future work plans so that a program of continuous progress can be attained.

For each operational criteria highlighted in section five, a rating will be provided using the RAG system along with any narrative to support the rating:

Where a RED rating is provided: There will be little or no evidence that the criteria have been met.

Where an AMBER rating is provided: There will be some evidence of activities towards meeting the criteria, however significant improvements are required to improve the provision.

Where a GREEN rating is provided: There will be sufficient evidence to support and justify the rating.

When scoring each criteria, the following outcomes will be considered where relevant:

Culture – creating a culture in which beating fraud and corruption is part of daily business.

Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.

Capacity – deploying the right level of resources to deal with the level of fraud risk.

Competence – having the right skills and standards.

Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes.

Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

7. Roles and Responsibilities

This section provides information on the roles and responsibilities of those responsible for managing the counter fraud, bribery and corruption provision at NCC:

Elected Members: Required to support and promote the development of a strong anti-fraud, bribery and corruption culture by working to promote NCC's zero tolerance approach to tackling financial crime and:

- Keep up to date with relevant legislation and responsibilities related to fraud, bribery and corruption.
- Raise matters of concern that may come to their attention.
- Encourage the public to report concerns
- Pass on concerns raised by the public to the appropriate personnel.
- Participate in relevant reviews, disciplinary hearings or appeals as required.

Audit Committee: To have oversight of the anti-fraud and corruption arrangements including the strategy, policies and any associated guidance. Review, consider, approve and monitor the strategy and consider the adequacy and effectiveness of the arrangements for anti-fraud, Bribery, Corruption and Whistle-blowing.

Managing Director: (Including NCC Companies): Has overall accountability for the effectiveness of the Council's arrangements for countering fraud, bribery, corruption, and theft.

Section 151 Officer: Required by the Local Government Act 1972, the Section 151 Officer is nominated to take responsibility for making arrangements for the proper administration of a local authority's financial affairs, including anti-fraud and corruption strategies and measures. Norfolk County Council's Section 151 Officer is the Executive Director of Finance and Commercial Services.

Monitoring Officer (Head of Law**):** To advise Councillors and officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory codes of practice. Assisted by advice from the Chief Internal Auditor to lead on the promotion of the Strategy including training and publicity. To review the Strategy as required and report annually to the Audit Committee.

Chief Internal Auditor: To support and advise the Head of Law in respect of the internal audit function and; include an assurance statement on Anti-Fraud, Bribery and Corruption controls in the Annual Report to the Audit Committee. To develop on-going measuring and monitoring techniques to evaluate, remedy and continuously improve fraud, bribery and corruption prevention and detection. The measurable criteria and results are to be reported to the Audit Committee. To ensure that anti-fraud and corruption work is risk assessed and adequately staffed. To risk assess allegations as they arise and investigate where appropriate

Norfolk Audit Services: Responsible for implementing this Strategy and investigating any fraud, bribery and corruption issues reported under it, and/or the Whistleblowing Policy. To monitor action and respond to whistle blowers as required. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with the Strategy and that action is identified to improve controls and reduce the risk of recurrence. To report on Anti-Fraud and Corruption arrangements to the Audit Committee in its Annual Report.

Managers: To promote employee awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit or the Head of Law. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, theft or bribery and to reduce these risks by implementing robust internal controls and monitoring these controls. To report suspicions or incidents promptly.

Employees: To comply with Council policies and procedures, to be aware of the possibility of fraud, bribery corruption or theft and to report promptly any genuine concerns to Chief Internal Auditor, the Head of Law, the Managing Director or the Executive Director of Finance and Commercial Services.

Members of the Public, Partners, Owned Companies, Suppliers, and Contractors & Consultants: To report any genuine concerns or suspicions relating to fraud, bribery, corruption or theft to NCC.

8. Reporting Concerns

For further information and the reporting of any concerns relating to Fraud, Bribery and Corruption please refer to the NCC Counter Fraud, Bribery and Corruption Policy or contact:

Adrian Thompson **Chief Internal Auditor** **01603 222 777** **adrian.thompson@norfolk.gov.uk**	**Victoria McNeill** **Chief Legal Officer** **01603 223 415** **victoria.mcneill@norfolk.gov.uk**	**Whistleblowing Hotline** **01603 22 44 33**

Introduction

This document sets out the Norfolk County Council (NCC) policy in preventing, detecting and where required, dealing with identified or suspected fraud, bribery and corruption, and: provides the procedure on the reporting lines within NCC for such concerns to be raised.

NCC is committed to the eradication of fraud, bribery and corruption (including theft) and to the promotion of high standards of integrity. Fraud, Bribery and Corruption are not acceptable, and will not be tolerated. NCC will seek the appropriate disciplinary, regulatory, civil and/or criminal sanctions against fraudsters and, where possible, will attempt to recover losses. The aim of this policy and response plan 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.

To meet its objectives and priorities in 'Caring for Norfolk', NCC has adopted the staged strategic approach detailed within the document: 'Fighting Fraud and Corruption Locally (FFCL), the local government counter fraud and corruption strategy 2016 – 2019':

1) **Govern:** having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.

2) **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

3) **Prevent**: preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

4) **Pursue:** punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

NCC will endeavour to take all necessary steps to counter fraud, bribery and corruption (including theft) in accordance with guidance or advice issued by central government, the police service and other professional agencies and organisations such as; the Chartered Institute of Public Finance and Accountancy (CIPFA).

Further information on the activities undertaken by NCC in pursuance of the strategic goals can be found in the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017).

Scope

This policy applies to all employees of NCC as well its members, contractors, suppliers, partners, consultants, wholly/partly owned companies and their subsidiaries, and external organisations

This policy also applies to members of the public and other parties who have a business relationship with NCC.

This policy relates to all forms of fraud, bribery and corruption (including theft) and is intended to provide assistance to all those who may identify any suspected criminal activity that has a financial implication on NCC's resources.

This policy, along with the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017) aims to:

- Provide a robust framework for responding to allegations of fraud, bribery and corruption and provide advice and information on various aspects of fraud and the implications of an investigation.

- Ensure a counter fraud, bribery and corruption culture is promoted and embedded across NCC's members, employees, consultants, suppliers, contractors, outside agencies and their employees, any other party that NCC is in a formal partnership relationship with including the wholly and partly owned companies.

- Ensure that any financial irregularity or suspected financial irregularity or allegation of fraud, bribery or corruption involving any of the stakeholders mentioned above is promptly reported via the correct reporting lines and investigated to a conclusion.

- Provide information to everyone within NCC about the risk of fraud, bribery corruption and promote an environment where staff feel able to raise concerns sensibly and responsibly and;

- Ensure the appropriate sanctions are considered following an investigation via a triple track approach, which may include any or all of the following:

    - Criminal prosecution;
    - Civil proceedings; and/or
    - Disciplinary action (including referrals to professional bodies and regulators)

So far as practical, this policy should be bought to the attention of all those mentioned above so as to enable the reporting of any concerns relating fraud, bribery and corruption in the appropriate manner.

Policy

All those mentioned within the scope of this policy have an explicit responsibility to protect the assets of the NCC, including all buildings, equipment and monies from fraud, bribery, corruption and theft.

NCC positively encourages anyone having a reasonable suspicion that fraud, bribery and/or corruption is occurring (which impacts NCC) to raise any concerns that they may have in accordance with this policy.

The NCC's Whistleblowing Policy, states that no individual will suffer any detrimental treatment as a result of reporting 'reasonably held' suspicions. NCC is committed to the enforcement of this policy and its provisions ('reasonably held' means suspicions other than those which are raised maliciously and are subsequently found to be groundless).

The Public Interest Disclosure Act 1998 came into force in July 1999 and gives statutory protection, within defined parameters, to staff members who make disclosures about a range of subjects, including fraud, bribery and corruption, which they believe to be happening within the organisation employing them.

Any disclosure made by an employee will count as a "qualifying disclosure" if the employee reasonably believes that the disclosure is both "made in the public interest" and fits into of the categories set out in Employment Rights Act 1996 as follows:

(a) That a criminal offence has been committed, is being committed or is likely to be committed,
(b) That a person has failed, is failing or is likely to fail to comply with any legal obligation to which he is subject,
(c) That a miscarriage of justice has occurred, is occurring or is likely to occur,
(d) That the health or safety of any individual has been, is being or is likely to be endangered,
(e) That the environment has been, is being or is likely to be damaged, or
(f) That information tending to show any matter falling within any one of the preceding paragraphs has been, is being or is likely to be deliberately concealed.

NCC will investigate all allegations of fraud, bribery and corruption and take appropriate action against those who are found to breach its policies and procedures, or have committed a criminal offence, including possible criminal prosecution. Additionally NCC will take steps to recover any assets lost as a result.

Malicious unfounded allegations may be subject to a full investigation and appropriate disciplinary action.

Anyone having reasonable suspicions that fraud, bribery or corruption has occurred (or may occur) should to report it to the Chief Internal Auditor or Chief Legal Officer immediately so that a proper assessment of the allegation can be made and that appropriate investigation be undertaken by trained individuals.

Bribing anybody is absolutely prohibited. This means that you will not offer, promise, reward in any way, or give a financial or other advantage to any person in order to induce that person to perform his/her function or activities improperly. Similarly, you are not permitted to receive a financial or other advantage from any person in order to induce you to perform your function or activities improperly.

NCC procures goods and services ethically and transparently with quality, price and value for money determining the successful supplier/contractor, not by receiving (or offering) improper benefits. NCC will not engage in any form of bribery, neither in the UK nor abroad. NCC and all employees, irrelevant of their grade and position, shall at all times comply with the Bribery Act 2010 and with this policy. The use of intermediaries for the purpose of committing acts of bribery is prohibited.

Where NCC is engaged in commercial activity it could be considered guilty of a corporate bribery offence if an employee, agent, subsidiary or any other person acting on its behalf bribes another person intending to obtain or retain business or an advantage in the conduct of business for NCC and it cannot demonstrate that it has adequate procedures in place to prevent such. NCC does not tolerate any bribery on its behalf, even if this might result in a loss of business for it. Criminal liability must be prevented at all times.

Recovery of any losses will always be sought – see section on sanctions and redress.

Conflicts of Interest

All employees of NCC, as well its members must consider their personal or business commitments and, where they could have a perceived or direct interest on a matter or they may have some influence over a decision being taken by the Council, they must openly declare this interest and not participate in discussions about it, or be part of any decision making processes. The rules relating to the disclosure and registration of interests are set out in the Code of Conduct for employees, and the Code of Conduct for members.

Facilitation Payments

Facilitation payments are prohibited under the Bribery Act like any other form of bribe. They shall not be given or received by NCC, or by NCC members and employees whether working in the UK, or abroad.

Gifts and Hospitality

Courtesy gifts and hospitality must not be given or received in return for services provided or to obtain or retain business but shall be handled openly and unconditionally as a gesture of esteem and goodwill only. Gifts and hospitality shall always be of symbolic value only, appropriate and proportionate in the circumstances, and consistent with local customs and practices. They shall not be made in cash. Please refer to NCC's Standards of Conduct and Behaviour Policy (P319) and register for further guidance.

Under no circumstances should any gifts or hospitality be accepted from contractors or suppliers who are potential tenderers in the period leading up to the tendering and awarding of any contract by NCC.

Definitions

Fraud

The Fraud Act 2006 came into force on 1 July 2007 and created three main criminal offences:

Fraud by false representation;
Fraud by failing to disclose information; and,
Fraud by abuse of position.

For fraud to occur it must be established that the offenders conduct is dishonest, and it is their intention to make a gain, or cause a loss (or the risk of a loss) to another.

Upon conviction, offences of fraud carry a maximum sentence of 10 years imprisonment.

Bribery and corruption

The Bribery Act 2010 reformed criminal law regarding bribery related offences, making it easier to tackle this offence proactively in both the public and private sectors. Four main offences of bribery were created as a result of the act:

Offence of bribing another person
Offence of being bribed
Bribery of foreign public officials
Failure of commercial organisations to prevent bribery

The corporate offence of failure to prevent bribery means that commercial organisations (including public organisation's wholly owned companies, subsidiary companies, and traded services) and their boards may be exposed to criminal liability if it is found that adequate procedures to prevent bribery have not been implemented.

Bribery is generally defined as giving or offering someone a financial or other advantage to encourage that person to perform their functions or activities improperly or; to reward that person for having already done so; or requesting, agreeing to receive or accepting the advantage offered.

Upon conviction, offences of bribery carry a maximum sentence of 10 years imprisonment and unlimited fines.

It is a common law offence of bribery to bribe the holder of a public office and it is similarly an offence for the office holder to accept a bribe.

Bribery prosecutions tend to be most commonly brought using specific pieces of legislation dealing with bribery, i.e. under the following:

- Bribery Act 2010
- The Anti-terrorism, Crime and Security Act 2001.

Public Service Values

All those who work for or are in contract with NCC and its members should exercise the following when undertaking their duties:

Selflessness	Should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.
Integrity	Should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
Objectivity	Should, in carrying out public business, (including making public appointments, awarding contracts, or recommending individuals for rewards and benefits), make choices on merit.
Accountability	Are accountable for their decisions and actions to the public and must submit them to whatever scrutiny is appropriate to their office.
Openness	Should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest demands.
Honesty	Have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
Leadership	Should promote and support these principles by leadership and example.

These standards are national benchmarks that support NCC policies and procedures.

Roles and Responsibilities

Elected Members: Required to support and promote the development of a strong Anti-fraud, bribery and corruption culture by working to promote NCC's zero tolerance approach to tackling financial crime and:

- Keep up to date with relevant legislation and responsibilities related to fraud, bribery and corruption.
- Raise matters of concern that may come to their attention.
- Encourage the public to report concerns
- Pass on concerns raised by the public to the appropriate personnel.
- Participate in relevant reviews, disciplinary hearings or appeals as required.

Audit Committee: To have oversight of the anti-fraud and corruption arrangements including the strategy, policies and any associated guidance. Review, consider, approve and monitor the strategy and consider the adequacy and effectiveness of the arrangements for anti-fraud, Bribery, Corruption and Whistle-blowing.

Managing Director: Has overall accountability for the effectiveness of the arrangements of the Council and its companies for countering fraud, bribery, corruption, and theft.

Section 151 Officer: Required by the Local Government Act 1972, the Section 151 Officer is nominated to take responsibility for making arrangements for the proper administration of a local authority's financial affairs, including anti-fraud and corruption strategies and measures. Norfolk County Council's Section 151 Officer is the Executive Director of Finance and Commercial Services.

Monitoring Officer (Chief Legal Officer): To advise Councillors and officers on ethical issues, standards and powers to ensure that the Council operates within the Law and statutory Codes of Practice. Assisted by advice from the Chief Internal Auditor to lead on the promotion of the Strategy including training and publicity. To review the Strategy as required and report annually to the Audit Committee.

Chief Internal Auditor: To support and advise the Chief Legal Officer in respect of the internal audit function and; include an assurance statement on Anti-Fraud, Bribery and Corruption controls in the Annual Report to the Audit Committee. To develop on-going measuring and monitoring techniques to evaluate, remedy and continuously improve fraud, bribery and corruption prevention and detection. The measurable criteria and results are to be reported to the Audit Committee. To ensure that anti-fraud and corruption work is risk assessed and adequately staffed. To risk assess allegations as they arise and investigate where appropriate

Norfolk Audit Services (NAS): Responsible for implementing the NCC Operational Strategy and investigating any fraud, bribery and corruption issues. To monitor, action and respond to whistle blowers as required. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and that action is identified to improve controls and reduce the risk of recurrence. To report on Anti-Fraud and Corruption arrangements to the Audit Committee on an annual basis

Human Resources (HR): Will liaise closely with Managers and Internal Audit from the outset, where an employee is suspected of being involved in fraud, Bribery, Corruption or Theft in accordance with the NCC Disciplinary Policy and Disciplinary Action Review Group (DARG) Guidance. The HR Department shall advise those involved in the investigation in matters of employment law and in other procedural matters, such as disciplinary and complaints procedures. Close liaison between NAS and HR will be essential to ensure that any parallel sanctions (i.e. criminal and disciplinary) are applied appropriately, effectively and in a coordinated manner.

Managers: To promote employee awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit or Chief Legal Officer. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, theft or bribery and to reduce these risks by implementing robust internal controls and monitoring these controls. To report suspicions or incidents promptly.

Employees: To comply with Council policies and procedures, to be aware of the possibility of fraud, bribery corruption or theft and to report promptly any genuine concerns to Chief Internal Auditor, the Chief Legal Officer, the Managing Director or the Executive Director of Finance and Commercial Services.

Members of the Public, Partners, Owned Companies, Suppliers, and Contractors & Consultants: To report any genuine concerns or suspicions relating to fraud, bribery, corruption or theft to NCC.

External Audit: Any incident or suspicion that comes to External Audit's attention will be passed immediately to Chief Legal Officer.

Information Management and Technology: The Head of IM&T will contact the NAS in all cases where there is suspicion that IT is being used for fraudulent purposes. This includes inappropriate internet/intranet, e-mail, telephone, PDA use and any offence under the Computer Misuse Act 1990. Human Resources will be informed if there is a suspicion that an employee is involved.

The Response Plan

This section outlines the action to be taken where fraud, bribery or other illegal acts involving dishonesty, inappropriate Internet use, or damage to property are discovered or suspected. For completeness, it also deals with the action to be taken where theft is discovered or suspected.

Investigation of the majority cases of alleged fraud, bribery or corruption reported will be the responsibility of NAS. NAS will regularly report to the Chief Legal Officer on the progress of an investigation.

Through the DARG guidance NAS, along with Human Resources and the Chief Legal Officer (or nominated person) will decide who will conduct the investigation and when/if referral to the police is required (with the agreement of the Managing Director).

Reporting fraud, bribery or corruption

If any of the concerns mentioned in this document come to the attention of a member, employee or any other person associated with NCC, they should report it to the **Chief Internal Auditor** or **Chief Legal Officer immediately.** Employees can also call the NCC Whistleblowing line on 01603 224433 as an alternative to internal reporting procedures if staff wish to remain anonymous. This provides an easily accessible route for the reporting of genuine suspicions of fraud within or affecting NCC. It allows NCC staff members who are unsure of internal reporting procedures to report their concerns in the strictest confidence.

Contact information for the above is listed in Appendix A.

Any allegations of fraud, corruption, theft or bribery made against our Members will be fully investigated in accordance with the provisions of the Local Government Act 2000 and any subsequent statute or codes of practice.

The Council's Standards Committee has responsibility for complaints of Members misconduct.

The Council will fully assist the Standards Committee or any law enforcement agencies with any investigation concerning a Member.

Allegations about Members that are received by Internal Audit will be referred immediately to the Monitoring Officer. The Monitoring Officer may utilise Internal Audit for the purposes of any investigation relating to financial matters.

Anonymous letters, telephone calls etc. are received from time to time from individuals who wish to raise matters of concern, but not through official channels. While the allegations may be erroneous or unsubstantiated, they may also reflect a genuine cause for concern and should always be taken seriously.

Sufficient enquiries will be made by NAS to establish whether or not there is any foundation to the allegations. If the allegations are found to be malicious, they will also be considered for further investigation as to their source.

For all of NCC's wholly or partly owned companies it is the responsibility of managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied.
Any allegations of fraud, corruption, theft or bribery made against the employees of wholly or partly owned companies will be fully investigated in accordance with disciplinary procedures, statute or codes of practice. Following an appropriate investigation the company's Managing Director or equivalent is responsible for the initial assessment into employee misconduct.

For external organisations and members of the public, any matters that are raised will be considered and if appropriate formally investigated or referred to the Police.

External Communications: Individuals (be they members, employees, agency staff, contractors or suppliers) must not communicate with any member of the press, media or another third party about a suspected fraud as this may seriously damage the investigation and any subsequent actions to be taken. Anyone who wishes to raise such issues should discuss the matter with either the Managing Director or Chief Legal Officer.

Training: NCC will provide training to all relevant employees on a periodical basis to make them aware of our Anti-Fraud and Bribery and Corruption Policy and guidelines, including how employees may report suspicion. Further information can be found in the NCC Operational Strategy (v2017).

Sanction and Redress

In cases of fraud, bribery, corruption and theft, separate or coinciding sanctions may be applied. For example:

- Disciplinary action relating to the conduct of an employee may be instigated alongside the use of civil law to recover lost funds; and

- The use of criminal law to apply an appropriate criminal penalty upon an individual may be used alongside disciplinary action – if appropriate. (This list is non-exhaustive).

Disciplinary procedures will be initiated where an employee is suspected of being involved in a fraudulent or illegal act. The appropriate senior manager, in conjunction with the HR department, will be responsible for initiating any necessary disciplinary action. Arrangements may be made to recover losses via payroll if the subject is still employed by NCC. In all cases, current legislation must be complied with.

The civil recovery route is also available to NCC if this is cost-effective and desirable for deterrence purposes. This could involve a number of options such as applying through the Small Claims Court. Each case needs to be discussed with Chief Legal Officer to determine the most appropriate action.

Criminal investigations are primarily used for dealing with any criminal activity. The main purpose is to determine if activity was undertaken with criminal intent. Following such an investigation, it may be necessary to bring this activity to the attention of the police. Outcomes can range from a criminal conviction to fines and imprisonment.

The seeking of financial redress or recovery of losses will always be considered in cases of fraud or bribery that are investigated by NAS or NCC where a loss is identified. Redress can take the form of confiscation and compensation orders, a civil order for repayment, or a local agreement between the organisation and the offender to repay monies lost. The decisions for redress will be taken in the light of the particular circumstances of each case.

Redress allows resources that are lost to fraud and bribery to be returned to the NCC for use as intended, for provision of high-quality public services. Depending on the extent of the loss and the proceedings in the case, it may be suitable for the recovery of losses to be considered under Proceeds of Crime Act 2002 (POCA). This means that a person’s money or assets are taken away from them if it is believed that the person benefited from the crime. It could also include restraining assets during the course of the investigation. When considering seeking redress recovery may also be sought from on-going salary payments or pensions.

When taking into consideration all the facts of a case, it may be that (upon agreement with the Chief Legal Officer and Managing Director) in some cases NCC decides that no further recovery action is taken.

Review of the Policy

This policy will be reviewed by NAS every two years or sooner depending on legislative changes.

Additional Information

Any abuse or non-compliance with this policy or procedures may be subject to investigation and appropriate disciplinary action.

Related Documents

NCC Anti-Fraud, Bribery and Corruption Operational Strategy - (v2017)
Whistleblowing Policy
Standards of Business Conduct Policy
Disciplinary Policies and Guidance
Constitution

Appendix A - Reporting Concerns

What to do:

If any of these concerns come to light you must immediately report your suspicions and what you have discovered to one of the following:

Adrian Thompson **Chief Internal Auditor** **01603 222 777** **adrian.thompson@norfolk.gov.uk**	**Victoria McNeill** **Chief Legal Officer** **01603 223 415** **victoria.mcneill@norfolk.gov.uk**	**Whistleblowing Hotline** **01603 22 44 33**

Norfolk County Council

Anti-Fraud, Bribery and Corruption Annual Activity Plan 2017-18

(1 October 2017 - 31 March 2018 Period)

Approved by the Chief Internal Auditor on: 11 September 2017

Presented at the Audit Committee meeting of: 21 September 2017

Investigative Auditor (Accountable Person) : Andrew Reeve, Accredited Counter fraud Specialist (ACFS)

CONTENTS

Norfolk County Council

Development of the activity plan

Introduction

Norfolk Audit Service (NAS) has developed this activity plan following the production of the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017).

The activity plan is focused on identifying and targeting areas within NCC which are vulnerable to the risk of fraud, bribery and corruption and; to raise awareness and contribute towards a robust anti-fraud, bribery and corruption culture to the council's members, employees, consultants, suppliers, contractors, outside agencies, their employees and any other party that NCC is in a formal partnership relationship with, including the wholly owned companies

The activity plan has been developed to reflect both the NCC Policy, Strategy, and the national 'Local government counter fraud and corruption strategy 2016 – Fighting Fraud and Corruption Locally' (FFCL). In doing so the activity plan has been divided into four strategic areas as follows:

Govern: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.

Acknowledge: acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Prevent: preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Pursue: punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

For 2017, the work programmed within this activity plan has been prioritised to focus on raising awareness and assessing risk and therefore, it may not be possible to cover all of the operational criteria detailed within the NCC strategy during the activity plan period of 6 months. Furthermore, some of the activities planned may be delayed due to operational investigation priorities and carried forward to subsequent activity plans.

The activity plan provides a clear and measurable standard to be agreed, delivered and reported to ensure accountability and to highlight exceptions.

Fraud Risk Assessment

A strategic fraud risk assessment will be undertaken as a priority to assess NCC's overarching approach to tackling fraud and corruption.

The assessment will adopt the principles as described in the FFCL and the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on managing the risk of fraud and corruption, as well as taking into account relevant legislation and industry best practice.

It is intended that the assessment will identify areas of good practice as well as areas where further controls may require implementation to improve fraud resilience.

Any significant findings will be reported to CLT and the Audit Committee through the normal quarterly reporting process.

Norfolk County Council

Anti-Fraud, Bribery and Corruption
Annual Activity plan 2017-2018 (covering 6 months to 31 March 2018)

The below tables list the activities planned to be undertaken between 1 October 2017 and 31 March 2018

In the left column, the numbers provide an explanation of how each activity is linked to the NCC Operational Strategy with the corresponding value.

Govern: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.

Operational Criteria no.	Theme	Activity plan task
1 and 6	Communication / Collaboration working Protocols	Implementing internal fraud or bribery reporting protocols with the following key departments; • Procurement • Human Resources • Payroll • Security Services • Complaints Protocols to be circulated to relevant staff providing examples of reportable incidents along with the reporting lines. Success measure: Service Heads to confirm awareness and agreement
1 and 6	Collaboration Key Meetings	The Investigative Auditor will meet with key personnel throughout NCC to discuss fraud, bribery and corruption issues. The purpose of the meetings is to enhance NCC's counter fraud culture, promote the reporting lines for raising concerns and identify areas for further counter fraud activity. Success measure: Service Heads to confirm awareness and agreement
2	Capability Risk Assessment	A strategic fraud risk assessment will be undertaken to assess NCC's overarching approach to tackling fraud and corruption.

Operational Criteria no.	Theme	Activity plan task
		The assessment will adopt the principles as described in the FFCL and the CIPFA code of practice on managing the risk of fraud and corruption, as well as taking into account legislation and industry best practice. Success measure: Report to CLT and Audit Committee
3	Communication Reporting	Completion and submission and attendance of reports for CLT and Audit Committee inclusive of; • 2018/2019 full year anti-fraud Activity plan *(to be presented at the (March?) audit committee 2018). • Anti-Fraud, Bribery and Corruption annual report *(Due (June) 2018). Success measure: Meeting deadlines for publication.

Acknowledge - Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Operational Criteria no.	Theme	Activity plan task
8	Communication Awareness	Review and update of the anti-fraud, bribery and corruption awareness modules on the NCC intranet inclusive of updating modules for key employees as well as agreeing which employees will be mandatory, and levels of training required. Success measure: Positive feedback and demonstrable take-up of the e-learning (particularly new learners) for designated group.
8	Communication Bespoke presentations	Preparation and attendance at Norfolk school finance training days throughout the year. Presentation to include: Fraud Act 2006 Bribery Act 2010 Scam emails and calls

Operational Criteria no.	Theme	Activity plan task
		Case studies Promoting the CF&B policy Reporting concerns / advice Success measure: Service Heads to confirm satisfaction
8	Communication Bespoke presentations	Preparation and attendance at internal meetings following key personnel meetings where required. Presentation to include: Fraud Act 2006 Bribery Act 2010 Scam emails and calls Case studies Promoting the CF&B policy Reporting concerns / advice Meeting attendance to be focussed on and prioritised to key risk areas. Success measure: Service Heads to confirm satisfaction
8	Communication Newsletters	Quarterly newsletter to be developed to highlight fraud, bribery and corruption risks and communicated throughout NCC and associated stakeholders. Success measure: Service Heads to confirm satisfaction
8	Communication Social media	Research and development of counter fraud communications through alternative awareness platforms such as twitter. Success measure: Service Heads to confirm satisfaction
8	Communication/ Culture National Fraud Awareness Week	Undertaking of international fraud awareness week (November 2017) including suitable promotional activity to raise awareness of the event. Success measure: Service Heads to confirm satisfaction

Operational Criteria no.	Theme	Activity plan task
10	Culture/ Capability Policy Reviews	Reviews of new and existing policies following updates to the anti-fraud, bribery and corruption policy and strategy to ensure continuity. In addition, to ensure that the appropriate links and counter fraud messages are communicated throughout NCC's policies Success measure: Service Heads to confirm satisfaction
11	Culture/ Capability Whistleblowing	Review and development of the Council's whistleblowing policy and reporting procedures. Success measure: Report to January 2018 Audit Committee
12	Culture/ Communication Code of Conduct Conflicts of Interest / Gifts and Hospitality	Review and development of the procedures in place for the reporting of Gifts, Hospitality and Conflicts of Interest. Success measure: Service Heads to confirm satisfaction

Prevent – preventing, deterring and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Operational Criteria no.	Theme	Activity plan task
13	Capability Staff Surveys	Development of an annual staff survey to test and measure the awareness of employees in respect of what constitutes fraud, bribery and corruption, and how to report concerns. Success measure: Service Heads to confirm satisfaction
14	Collaboration/ Communication Emerging Risks	Research and development of an emerging risks database including a system of communication, follow up and review. Success measure: Report to Audit Committee
16	Capability Pre Contract Procurement	A review of the procedures in place at the council for the prevention and detection of fraud, bribery and corruption in the area of pre contract procurement. Success measure: Report to Audit Committee
17	Capability Banking Control and Invoice Fraud	A review of the procedures in place at the council for the prevention and detection of fraud, bribery and corruption in the area of invoice fraud and banking control Success measure: Report to Audit Committee
18	Capability Recruitment Fraud	A review of the procedures in place at the council for the prevention and detection of fraud, bribery and corruption in the area of recruitment and identity checks. Success measure: Report to Audit Committee
19	Collaboration Cyber Crime	Undertake liaison with those charged with preventing cyber related frauds e.g. Email scams, spoof emails etc. Research methods for a more collaborative response to tackling cyber issues across NCC. Success measure: Report to Audit Committee

Pursue - punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity

to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

Operational Criteria no.	Theme	Activity plan task
21	Capability/ Collaboration Protecting the Vulnerable	Research and development of IT systems promoted by CIFAS for the detection of fraudulent credit applications in the names of vulnerable members of the community. Success measure: Report to Audit Committee
21	Capability/ Collaboration National Fraud Initiative (NFI)	Review of the 2016/2017 NFI match outcomes for quality and consistency: NAS will select sample matches based on value and risk and undertake follow up work to provide assurance that NFI matches are being investigated robustly and to the correct outcome. Success measure: Report to Audit Committee
21	Capability/ Collaboration National Fraud Initiative (NFI)	Review of the 2016/2017 NFI payroll matches against the following internal records: • Absence Records • Secondary Employment Declarations All payroll matches will be reviewed against the above internal records to identify potential secondary working concerns. Success measure: Report to Audit Committee

For Further Information Contact

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Investigative Auditor
Tel: 01603 222 746
Email: andrew.reeve@norfolk.gov.uk

Adrian Thompson
Chief Internal Auditor
Tel: 01603 222 748
Email; adrian.thompson@norfolk.gov.uk

Audit Committee

Item No……

Report title:	**Work Programme**
Date of meeting:	**21 September 2017**
Responsible Chief Officer:	**Executive Director, Finance and Commercial Services**

Strategic impact

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.

In accordance with its Terms of Reference the Committee should consider the programme of work set out below.

January 2018	
NAS Quarterly Report Quarter ended 30 September 2017 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director of Finance and Commercial Services
Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance and Commercial Services
A Half yearly update of the Audit Committee	Executive Director of Finance and Commercial Services
Internal Audit Strategy, Approach, Strategic Plan 2017-2020 and Internal Audit Plan for 2018-19	Executive Director of Finance and Commercial Services
Whistleblowing Refresh	Chief Legal Officer
Anti-Fraud and Corruption Update	Chief Legal Officer

April 2018	
NAS Quarterly Report Quarter ended 31 December 2017 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director, Finance and Commercial Services
External Auditor's Audit Plan 2018-19	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
Internal Audit Terms of Reference and Code of Ethics	Executive Director of Finance and Commercial Services

June 2018	
Annual Update of the Audit Committee	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended 31 March 2018	Executive Director, Finance and Commercial Services
Monitoring Officer Annual Report 2017-18	Chief Legal Officer
Annual NAS Report 2017-18	Executive Director, Finance and Commercial Services
Risk management Annual Report	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer
Audit Committee Work Programme	Executive Director, Finance and Commercial Services

Officer Contact

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

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IN TRAN communication for all

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