Norfolk County Council

Audit Committee

Date: **Tuesday, 31 July 2018**

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
Mr S Morphew
Mr H Thirtle
Mrs K Vincent

Please note that the meeting will be preceded by an Audit committee Member Training Session commencing at 1.30pm in the Edwards 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. **Election of Chairman**
   To elect a Chairman for the ensuing Council year.

3. **Election of Vice Chairman**
   To elect a Vice-Chairman for the ensuing Council year.

4. **To confirm the minutes from the Audit Committee meeting held on 19 April 2018.** **Page 5**

5. **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.

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

7. **Norfolk Pension Fund Governance Arrangements 2017-18** **Page 17**
   Report by the Executive Director of Finance & Commercial Services and the Head of Pensions.

8. **Norfolk County Council and Norfolk Pension Fund Audit Results Reports - Summary for the year ended 31 March 2018.** **Page 37**

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: 23 July 2018

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Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 19 April 2018 at 2pm in the Edwards Room, County Hall, Norwich

Present:

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

1 Apologies for Absence

1.1 No apologies for absence were received.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 23 January 2018 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

3.1 Mr A Jamieson declared an other interest in agenda item 5 (Norse Care) as he was a Director of Norse.

3.2 Mrs K Vincent declared an other interest in agenda item 5 (Norse Care) as she was Chairman of the Norse Shareholder Committee.

3.3 Mr S Morphew declared an other interest in agenda item 5 (Norse Care) as he was a Member of the Norse Shareholder Committee.

4 Items of Urgent Business

4.1 The Committee received a presentation (Attached at Appendix A) from Geoff Connell, Head of IMT about preparations for the General Data Protection Regulations (GDPR), including summarising the key changes. Members were advised that Norfolk County Council would be fully prepared for implementation on 25 May 2018 and that a proposal was being developed to offer face-to-face training for all Councillors. The Committee requested an update at its July 2018 meeting on how the Regulations had embedded in, including FAQs, and also asked that all Members receive training prior to the implementation date of 25 May 2018

4.1.1 Members asked whether consideration could be given to identifying a case-work system to help Members manage their workload effectively and ensure data was used in a safe way.

4.2 The Chairman asked the Executive Director of Finance and Commercial Services to reassure the Committee about the current financial position of

Norfolk County Council following recent press reports, comparing it with Northamptonshire County Council. The Executive Director reassured Members that Norfolk County Council's financial position remained sound.

5 Norse Care

5.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Managing Director NorseCare in response to the Committee's request at its January meeting, that a representative of Norse Care be asked to attend to 'further understand the risks and pressures on delivering social care in the current operating structure, and provide an opportunity to raise any issues, concerns and forward plans with the Committee'.

5.2 The Committee welcomed Karen Knight, Managing Director NorseCare to the meeting, who gave a verbal presentation about the work of NorseCare, including examples of positive success stories; sponsorship; Scope for further investment and income generation; quality standards and return on dividends, during which the following points were noted:

5.2.1 Positive Success Stories:

- Since all Norfolk County Council care homes had been externalised to NorseCare seven years ago, the company was now nationally recognised for its quality of care as well as for providing a good return for its shareholders.
- Care Quality Commission (CQC) Inspections had rated 94% of all NorseCare homes "good", compared to 74% of care homes in the private sector.
- Norse Care participated in the "Your Care" ratings system which had been established to give all residents living in a care home the opportunity to provide views and feedback on the services they received. Following "Your Care" feedback, Lloyd Court at Kelling had been rated in the top third of care homes in the country.
- Approximately 1200 people across the county received front-line services from NorseCare teams.
- Out of approximately 60 nominations, NorseCare had reached the final three in the EDP Care Awards.
- NorseCare was now nationally recognised as being a well-run care provider.

Sponsorship events

- NorseCare sponsored and took part in many community events, including fetes, dementia café's, brownie groups and church groups. NorseCare supported the charity Break and also offered small discretionary grants that various organisations could apply for.

Scope for further investment and income generation:

- Significant investment had been made in new build care homes, such as Eva Court at Gorleston and the Bowthorpe Care Village, with other properties being extended and refurbished to bring them up to an acceptable standard.
- Approval had just been received for a housing with care home and dementia care home in the west of the county. Other sites were being investigated to assess prospects for possible use as care homes.
- Any opportunities for investment companies who wished to invest in NorseCare on the back of the CQC ratings were being identified and assessed as appropriate.

- It was considered that Norfolk County Council was well placed to invest in NorseCare services as it owned land and property and had established a reputation for developing good facilities.

Quality Standards

- Excellent feedback about the services provided by NorseCare had been received, from both the Care Quality Commission and also "Your Care" which used feedback from residents and their families.
- NorseCare had a staff turnover rate of 15% compared to the national average of 25% and also had a low use of agency cover.
- NorseCare staff sickness absence rate was lower than the national average at 5%.

Principle of return on dividends

- Over the lifetime of the contract, £7m had been returned to the County Council to date, including the sum of £1.2m being returned to Adult Social Care last year.

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

5.3.1 The Managing Director of NorseCare agreed to let Members have details of the areas where there was a shortfall of places for nursing and healthcare. Across Norfolk, there was a demand for approximately 5000 care home places, excluding nursing and dementia places. As there was currently a shortfall of care places, it was felt that there was more than sufficient business in the care market for NorseCare to expand its share of the market.

5.3.2 One of the reasons NorseCare had a staff turnover rate of 15% compared to the national average of 25% was due to the fact that NorseCare paid its care staff more than the national minimum wage. NorseCare also used fewer agency staff than some other organisations, with the Managing Director of NorseCare reassuring the Committee that the quality of care given to residents would never be compromised. NorseCare provided an excellent training programme to ensure that staff were well-trained and kept up to date with changes in regulations.

5.3.3 In an effort to attract more care staff, NorseCare attended job fairs and offered work placements to some students working towards Health and Social Care qualifications at college. In addition, as NorseCare wished to ensure business continuity when members of staff left or retired, a talent programme to develop team leaders and deputy team leaders had recently been very successful, resulting in 11 members of staff being promoted out of the 47 who had attended the programme.

5.3.4 Once it had been renovated, Mountfield, a recent NorseCare acquisition, would become a dementia care home.

5.3.5 As Chairman of the Norse Shareholder Committee, Mrs Vincent reassured Members that the finances of NorseCare were regularly reviewed by the Norse Shareholder Committee.

5.4 The Chairman thanked the Managing Director of NorseCare for attending the meeting and giving Members an understanding of its work. The Committee endorsed the excellent work carried out by NorseCare.

5.5 The Committee **RESOLVED** to note the update from the Managing Director of NorseCare.

6 Liquid Logic/Social Care System Replacement Implementation

6.1 The Committee welcomed Janice Dane, Assistant Director Early Help and Prevention (Adult Social Services), Amy Lees (Social Care Systems Support Manager), John Baldwin (Head of Finance Exchequer Services), Andrew Pettitt (Senior Project Manager - Adults) and Miles Fox-Boudewijn (Senior Project Manager – Childrens) to the meeting who had attended to provide an update about how the project was progressing. The Committee heard that the Adults and Finance stage of the project went live on schedule on 22 November 2017 and that the Children's Services and Finance stage of the project was on target to go live on 2 May 2018. The Committee asked Officers to provide an update and presentation at its July 2018 meeting.

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

6.2.1 Three suitable software suppliers had been identified and had submitted a tender to bid for the project, with LiquidLogic winning the tender and being awarded the contract.

6.2.2 The Assistant Director Early Help and Prevention (Adult Social Services) would provide a written response explaining how much money was spent per annum on the software.

6.2.3 All care providers had been contacted and offered support to help them use the new software. The challenge had been in making providers aware of how important the system would be to them, with the main aim being for providers to self-serve the information, which for some providers was proving to be a technological challenge.

6.2.4 With regard to direct payments, the system did not allow care payments to be disseminated directly to clients and people in receipt of Adult Social Care Services. There were currently approximately 1800 individuals who were in receipt of Direct Payment cards.

6.2.5 The Chairman thanked the team for attending and for the work they had carried out on the programme. The Committee requested an update following the implementation of the programme at its meeting on 31 July 2018, together with a demonstration of the Liquid Logic programme.

6.3 The Committee **RESOLVED** to:

- **Note** the progress on delivering the new Social Care System for Adult Social Services, Children's and Finance and **requested** a further report at the July 2018 meeting of the Committee.

7 Norfolk Audit Services Half Yearly Report ended 31 March 2018.

7.1 The Committee received the report by the Executive Director of Finance & Commercial Services.

7.2 During the presentation of the report, the Chief Internal Auditor drew attention to the amendments (attached at Appendix B) which were noted by the Committee.

7.3 The Committee **RESOLVED** to **Note**:

- 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 Line, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function.

8 Norfolk Audit Services Annual Internal Audit Report 2017-18

8.1 The Committee received the report by the Executive Director of Finance & Commercial Services demonstrating how Internal Audit had sought "To enhance and protect organisational value for the Council, by providing risk based and objective assurance, advice and insight", as defined in best practice.

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

8.2.1 The Committee asked what recommendations to further strengthen some areas were made and if they had been implemented, as outlined on page 47 of the agenda. The Principal Client Manager agreed to provide a written response, together with a list of the areas that were recommended for strengthening as mentioned in paragraph 8.5 on page 55 of the agenda.

8.2.2 An explanation was given as to "qualified" and "unqualified" and other value for money audit opinions:

- Unqualified - was where the auditor was satisfied that they had sufficient evidence that, in all significant respects, the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year

- Qualified except for - was where the auditor was satisfied that the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year, in all significant respects, except for weakness(es) that were sufficiently significant to warrant reporting but were limited to specific issues or areas

- An Adverse opinion - was where the auditor was not satisfied that the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year, as the weaknesses identified were significant in terms of their impact, or numerous in terms of the number of different aspects of proper arrangements affected.

8.2.3 Norfolk County Council no longer participated in the CIPFA Audit benchmarking club as the low participation rate meant there was no value in continuing with the membership.

8.3 The Committee **RESOLVED** to **note**:

- The overall opinion on the effectiveness of risk management and internal control for 2017-18 is 'acceptable' and therefore considered 'sound' (part 2 of the report).
- The internal audit function has enhanced and protected organisational value for the Council, by providing risk based and objective assurance, advice and insight; and fulfilled its Terms of Reference, Strategy through its delivery of the Committee's approved revised Internal Audit Plan for 2017-18, 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 as part of the Council's new ways of working (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 2017-18 will refer to this report and will be reported to this Committee in July 2018 for its approval.
- 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).

9 External Auditor's Audit Plan 2017-18

9.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Audit Plan 2017-18

9.2 The Committee welcomed Mr M Hodgson from Ernst & Young who attended the meeting to present the report and answer questions from the Committee. During the presentation of the report, the following points were noted:

9.2.1 Materiality of Norfolk County Council's accounts had now been set at 2% of the prior year's gross expenditure on provision of services, rising from £13.4m to £24m. This was good news for the Audit Committee who were reassured to note that the Auditors would continue to report adjustments over £1.4m. The Committee was reassured by the Executive Director of Finance and Commercial Services that he was happy with 2% as it showed confidence in Norfolk County Council's financial management and preparation of the accounts.

9.2.2 The Audit Fees as set out in the report were in line with the fee set by the Public Sector Audit Appointments (PSAA).

9.3 In response to a question about Minimum Revenue Provision, it was clarified that the last financial year had provided an opportunity for Norfolk County Council to review its Minimum Revenue Provision which had resulted in a changed model and released a notional cost of £60m over two years. 2017/18 was the second year of releasing the money, so the Auditors had needed to check to ensure it had gone through the appropriate accounting checks. In response to a further question about releasing all the money at once, it was clarified that the Regulations did not allow all the money to be released in one year.

9.5 The Committee considered the report and **RESOLVED** to note:

- The External Auditor's Audit Plan for the Council for 2017-18 at Appendix A of the report, including their assessment of the Audit Risks and Value for Money Risks and the new reporting timetable at part 7 of the plan.
- The External Auditor's Audit Plan for the Norfolk Pension Fund for 2017-18, including their assessment of the Audit Risks, at Appendix B of the report.

10 Risk Management

10.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with the corporate risk register as at April 2018, along with an update on the Risk Management Strategy 2018-20 and other related matters, following the latest review conducted during March 2018.

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

10.2.1 The background details which had resulted in the drop in the level of savings under risk RM014b (The savings to be made on Adult Social Services transport are not achieved) would be provided.

10.2.2 A written response would be provided about where business cases for changed priorities to address key shifts which needed to be made had been identified and who had made the appropriate decisions.

10.2.3 The Committee requested an update at its meeting on 31 July about risk RM024 (Failure to construct and deliver the Great Yarmouth 3rd River Crossing within agreed budget and to agreed timescales (construction completed early 2023).

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

- Note the changes to the corporate risk register (Appendices A and B of the report), the progress with mitigating the risks;
- Note the scrutiny options for managing corporate risks (Appendix C of the report).
- Note the movement of corporate risks since the last meeting (Appendix D of the report).
- Receive an update on the Great Yarmouth 3rd River Crossing risk at its July 2018 meeting.

11 Risk Management Annual Report 2017-18

11.1 The Committee received the report by the Executive Director of Finance and Commercial Services.

11.2 The Committee **RESOLVED** to **note**:

- The overall opinion on the effectiveness of Risk Management for 2017-18 is ‘acceptable’ and therefore considered ‘sound’ (part 3 of the report).
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.
- The Annual Governance Statement for 2017-18 will refer to this report and will be reported to Audit Committee in July 2018 for its approval.
- The Risk Management Policy has been refreshed, with a Risk Management Strategy currently being developed.

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

12.1 The Committee received the report by the Executive Director of Finance & Commercial Services presenting it with the revised Internal Audit Terms of Reference and the Code of Ethics following a review, in accordance with CIPFA’s and the IIA’S UK Public Sector Internal Audit Standards.

12.2 The Committee **RESOLVED** to:

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

13 Audit Committee Work Programme

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

13.2 In accordance with its Terms of Reference the Committee considered and **agreed** the programme of work outlined in the report, with the addition of updates to the following subjects for consideration at future meetings:

- Liquid Logic – update following the implementation on 30 June 2018.
- Update on the Great Yarmouth 3rd River Crossing risk at the 31 July 2018 meeting.
- Overview of the work of the Corporate Property Team and how the portfolio was being rationalised.

The meeting ended at 3.45pm

Chairman

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GDPR AND NCC'S COMPLIANCE – GO LIVE IN 6 WEEK'S TIME!

Appendix A

- What we have done in the last months:
- Breach: Procedures produced and pilot commenced (no high risk breaches as yet!)
- Consent and Privacy Notices (PNs): work commenced in producing PNs for high risk services in CS, ASS, CES and HR by 25/05/18
- Record of Processing Activity (ROPA): work commenced completing ROPAs for high risk services in CS, ASS, CES and HR by 25/05/18
- Contracts: where service providers are acting as data processors: work commenced to amend all high risk contracts by 25/05/18
- Data Privacy Impact Assessment (DPIA): Procedures written; intending to arrange training for staff undertaking DPIAs in May/June
- Subject Access Request (SAR): work commenced on revising procedures
- GDPR E-learning launched on 14 March

- What we are going to do over the next 6 weeks:
- Develop guidance materials and training for members.
- Comms for the public and staff - look out for snippets in the Friday Takeaway, Your Norfolk (Extra), Blogs, Norfolk Manager and the intranet
- Bringing policies and procedures in-line with the GDPR
- Continuing work on high risk services' PNs. (Other services' PNs will be completed after 25/05/18.)
- Producing guidance and training on PNs for high risk services
- Continuing work on completing the ROPA for high risk services' PNs. Other services' ROPAs will be completed after 25/05/18. A ROPA for those services we provide as data processors (e.g. traded services) will be produced after 25/05/18
- Data Sharing Agreements template review
- DPIA training for staff who complete such assessments
- Review of reporting systems to cover privacy by design and document how we protect systems
- Review of on-line consents for children

Appendix B

Corrections for Norfolk Audit Services Report for the Half Year ending 31 March 2018

Table 1: Final Audit Reports (2016-17 B/fwd* and 2017-18)

Report type	**Q1**	**Q2**	**Q3**	**Q4**	**Corrections**	**Total**
Final audit reports (non-schools)	6	2	9	5	9	31
Final audit reports (schools – compliance/themed Audits)	0	0	0	1	1	2
Management Letters	7	0	1	1	7	16
Total Audits for opinion work	**13**	**2**	**10**	**7**	**17**	**49**
Traded Schools (including traded audits and health checks)	8	3	5	4	-	20
Certified grant claims	7	5	1	4	-	17
Follow-up report	0	0	0	0	-	0
Pension Audits	3	0	3	2	-	8

*These figures include final reports issued in relation to finalisation of carried forward 2016-17 audits

Corrections for Norfolk Audit Services Annual Internal Audit Report 2017-18

Appendix 1 - Internal Audit Work Summary 2017-18 (2016-17)

	Approved Plan (revised plan September 2017)	**Net Additions/ Cancelled/ Postponed During Quarter 3&4**	**Revised plan**	**Final Reports Issued**	**Percentage Final**	**Draft Reports Issued**	**Total Reports Issued (draft and final)**	**Percentage Delivery of the revised 2017-18 (and c/f 2016-17) draft and final**
2017-18 Audits in Approved Plan – Non Schools traded	41	3	44	22+6	64% (33%)	6	34	**77% (51%)**
Audits c/f 2016-17 non schools traded	28	-5	23	11+10	91%	1	22	**96%**
Total Audits – Non Schools	**69**	**-2**	**67**	**49**	**73% (53%)**	**7**	**56**	**84% (67%)**
Traded audits - 80 days were included in the strategy	16 + 4 C/fwd	0	20	19	95% (91%)	0	19	**95% (97%)**
Total excl. Grants	**89**	**-2**	**87**	**68**	**78% (65%)**	**7**	**75**	**81% (76%)**
Grant Certifications	24	0	24	24	100% (94%)	0	24	**100% (94%)**
Overall Total	**113**	**-2**	**111**	**92**	**83% (69%)**	**7**	**99**	**89% (79%)**
Audits c/f from 2017-18 – non-schools (5 work in progress, 6 at draft report and 6 c/fwd)	17							**15%**

Audit Committee

Item No……

Report title:	**Norfolk Pension Fund Governance Arrangements 2017-18**
Date of meeting:	**31 July 2018**
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.

Pensions Committee

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:

2.5 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.

Governance Statement and Governance Compliance Statement

2.6 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.

2.7 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.

2.8 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

2.9 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.

Pensions Oversight Board

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.

2.11 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 programme of work has included:

- Effectiveness of Pensions Oversight Board terms of reference and arrangements
- Investment pooling
- LGPS reform
- Norfolk Pension Fund budget and reporting
- Funding Strategy, following on from the completion of the Triennial Valuation
- Annual Audit plan
- Pension Fund Annual Report and Accounts

2.12 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.

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

Other Governance Arrangements

2.14 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 statements of the Norfolk Pension Fund provide a true and fair view of the fund's financial position at year end.

2.15 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 and the Chair of Audit Committee countersigns the letter on behalf of "those charged with governance".

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

LGPS Pooling of Investment Assets

2.17 The Government requires regional LGPS Funds to work together to "pool investments to significantly reduce costs, while maintaining investment performance".

2.18 Since December 2016 the Norfolk Pension Fund has been working with 10 other 'like-minded' Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. Together the 11 Funds have investment assets of approximately £45 billion.

2.19 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, are still responsible for their own investment strategy and asset allocation.

2.20 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.

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

2.22 The ACCESS authorities have appointed LINK Fund Solutions Ltd as the pool's Financial Conduct Authority (FCA) authorised Operator. The Operator will be responsible for selecting and contracting with investment managers on behalf of the authorities participating in the pool.

2.23 A key element of ACCESS's governance arrangements will focus on the robust management of the Operator contract. The ACCESS authorities will hold the Operator to account via the JC which will be supported by an ACCESS Support Unit hosted by Essex County Council.

2.24 An overview of ACCESS's governance structure is attached at Appendix C

3. Financial Implications

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

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 369 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, e.g. 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: Nicola Mark - Head of Pensions

Tel No: 01603 222171

Email address: glenn.cossey@norfolk.gov.uk

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Norfolk Pension Fund

This document sets out the

Governance arrangements

for the

Norfolk Pension Fund

as at July 2018

Governance Statement 2018

for you, for now, for the future
lgps

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 eight members of the Pensions Committee:

Chair	Norfolk County Councillor	Judy Oliver
	Norfolk County Councillor	Danny Douglas
	Norfolk County Councillor	Tom FitzPatrick
	Norfolk County Councillor	Martin Storey
	Norfolk County Councillor	Brian Watkins
Vice-Chair	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)	William Marshall

* 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	Howard Nelson, Diocese of Norwich Education and Academies Trust (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 two years, to be extended to up to four 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 Commercial Services

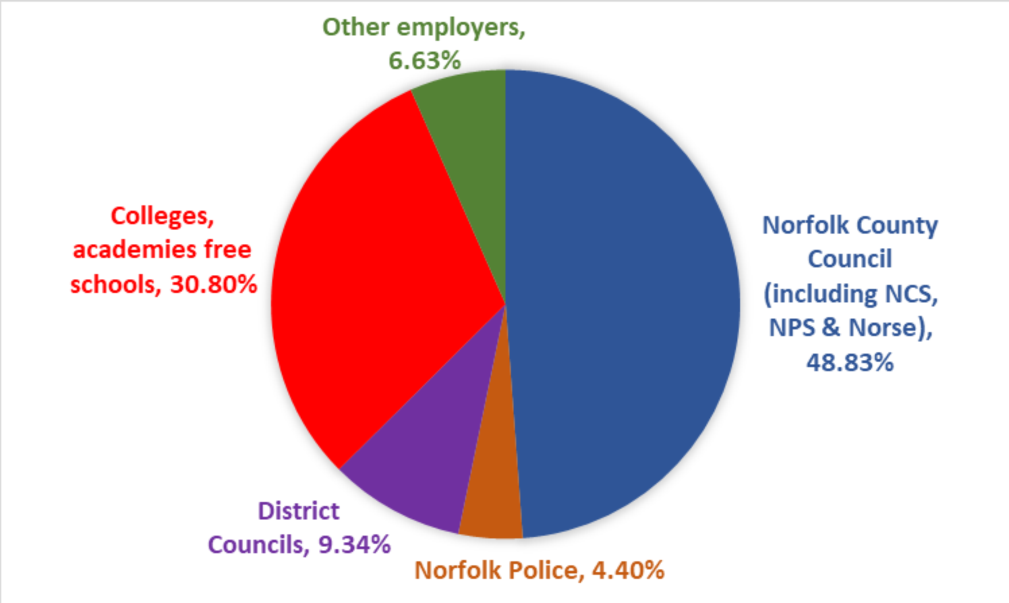
- The **Executive Director of Finance and Commercial Services** is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
    - The administration and financial accounting of the Fund
    - The preparation of the Pension Fund Annual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

Active Membership Breakdown by Employer as at 31 March 2018



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 2018

369 Contributing Employers

24,211 Pensioners

(members in receipt of a pension from the Fund)

28,837 Active Members

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

36,520 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

Norfolk Pension Fund

Norfolk Pension Fund
Lawrence House
5 St Andrews Hill
Norwich, NR2 1AD
Telephone: 01603 495923
Email: pensions@norfolk.gov.uk
Website: **www.norfolkpensionfund.org**

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The Norfolk Pension Fund
Governance Compliance Statement as at May 2018
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). The Norfolk Pension Fund is part of the ACCESS investment pool, and is represented at the ACCESS Joint Committee, however all strategic asset allocation decisions remain with the Norfolk Pension Fund Pensions Committee.

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.

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).

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 two 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. An Observer Seat at Committee is also 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					√

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.

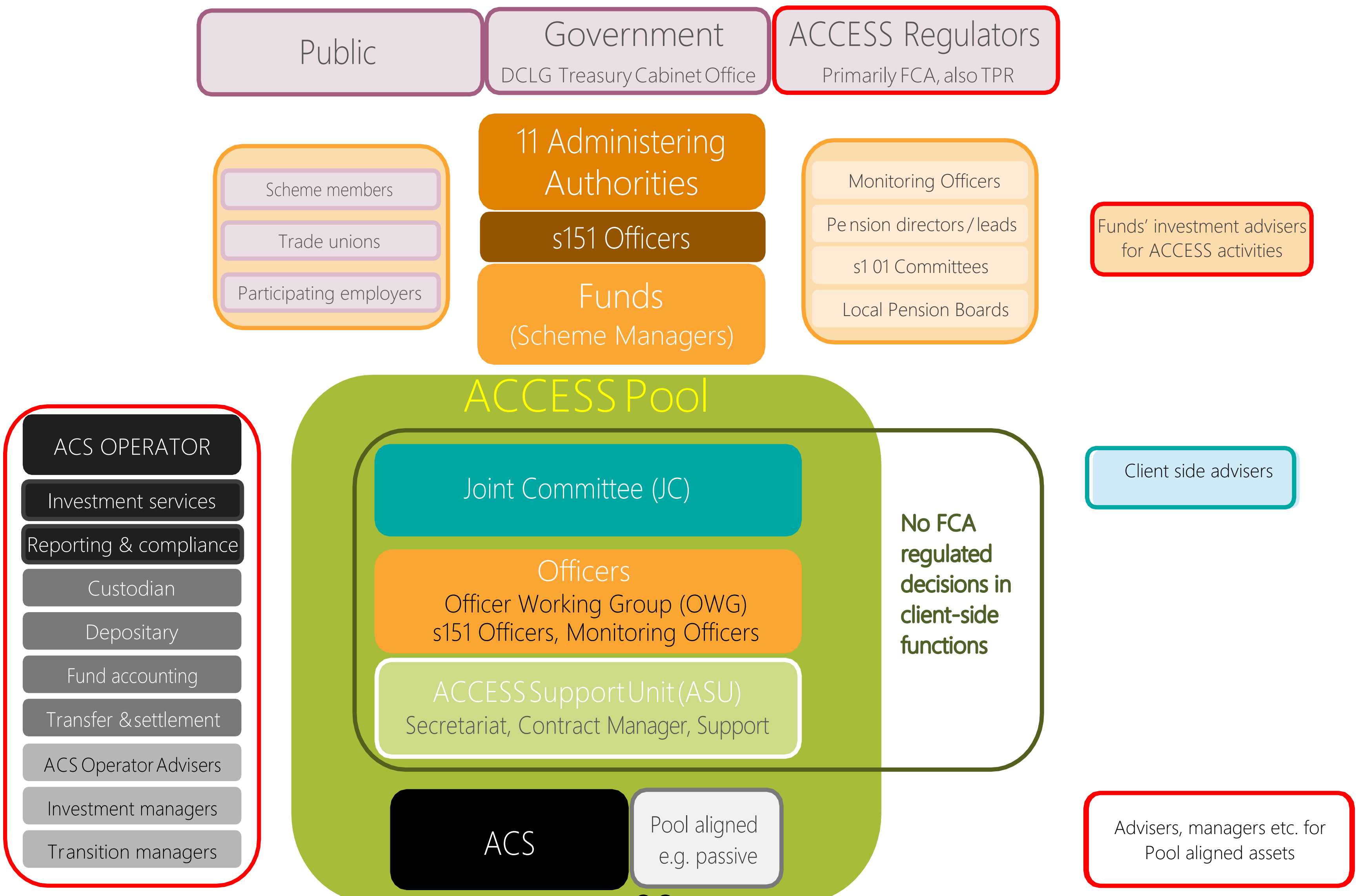
Principle I – Publicity

	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).

Appendix C

Pool Governance Structure



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 2018
Date of meeting:	31 July 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services

Strategic impact

This report introduces our External Auditor's (Ernst and Young) Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2018.

Executive summary

Recommendation:

It is recommended that the Audit Committee considers matters raised in the Ernst and Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports before Ernst and Young issue their audit opinions.

1. Introduction

Each year, the Council's External Auditors (Ernst and Young) produce Audit Results Reports summarising their work and findings from both the Pension Fund audit and the Norfolk County Council audit.

2. Evidence

2.1 Appendix A1 to this report sets out the Ernst and Young Norfolk County Council Audit Results Report – Audit Committee Summary for the year ended 31 March 2018.

2.2 Appendix A2 to this report sets out the Ernst and Young Norfolk Pension Fund Audit Results Report – Audit Committee Summary for the year ended 31 March 2018.

3. Financial Implications

3.1 The auditor's Audit Result Reports are based on work associated with the 2017-18 Annual Statement of Accounts for the Council and for the Norfolk Pension Fund.

3.2 The cost of the audits for both Norfolk County Council and Norfolk Pension Fund are set out in the Audit Results Reports. The fees are consistent with the quoted fees as described in the External Auditor's

Audit Plan 2017-18 which was presented to this this Committee on 19 April 2018.

4. Issues, risks and innovation

4.1 Page 25 of the Norfolk County Council Audit Results report makes reference to two unadjusted audit differences which, although not material to the accounts, are above the reporting level for disclosure. The nature of the items and the reasons for not adjusting the financial statements are given in “Letters of Representation” report to this Committee (paragraph 3.2). Neither item affects earmarked reserves or general balances.

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

5. Background

5.1 Background papers:
- External Auditor’s Audit Plan 2017-18: (Audit Committee Agenda 19 April 2018, Item 9, page 63)

Officer Contact

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

Officer name	Telephone	Email
Simon George	01603 222400	simon.george@norfolk.gov.uk
Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

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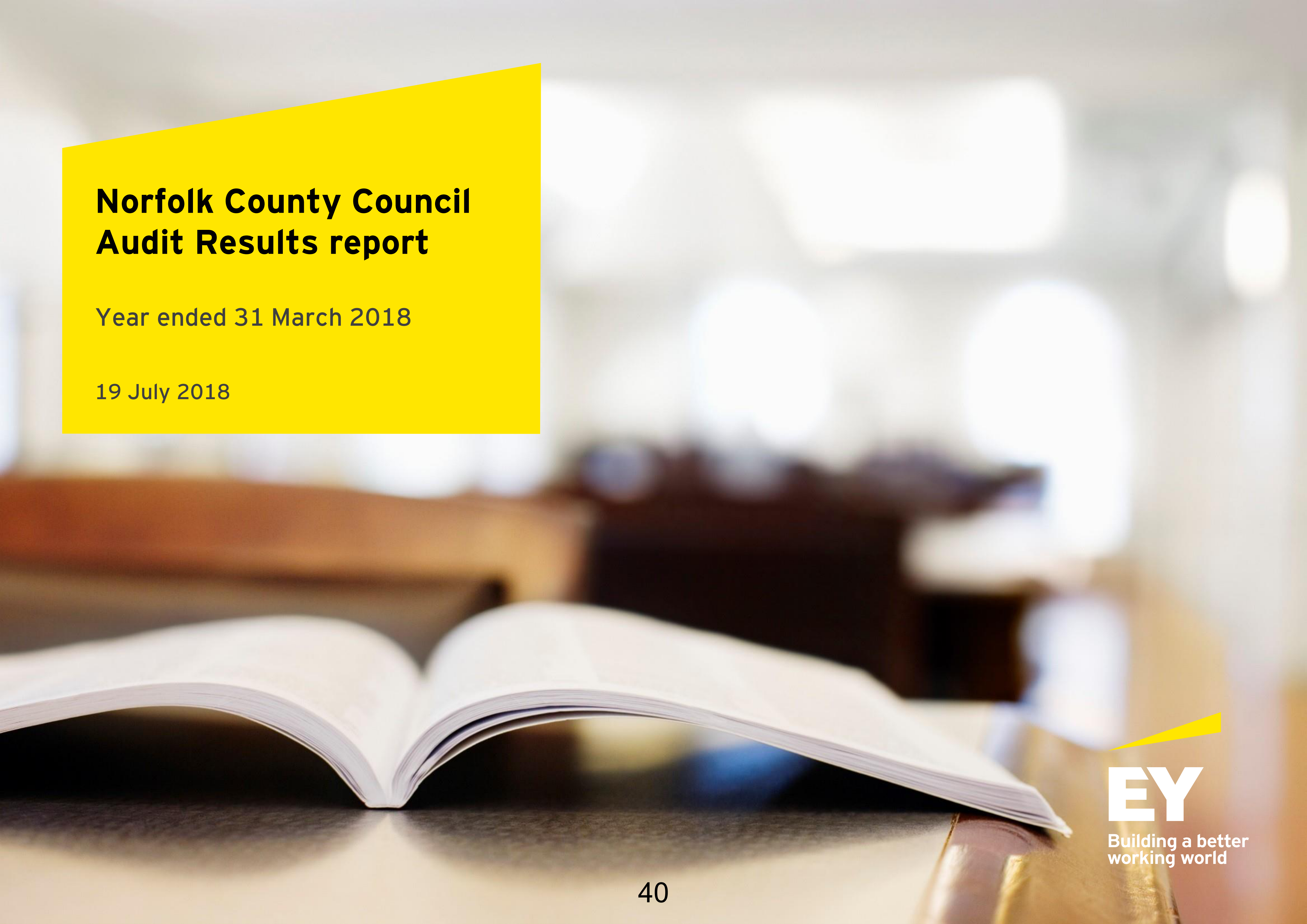
Appendix A

A1 Norfolk County Council Audit Results Report 2017-18

A2 Norfolk Pension Fund Audit Results Report 2017-18 – to follow



Norfolk County Council
Audit Results report

Year ended 31 March 2018

19 July 2018

EY

Building a better working world

19 July 2018

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Norfolk County Council (the ‘Authority’) for 2017/18. We will issue our final report at the Audit Committee meeting scheduled for 31 July 2018.

We have substantially completed our audit of Norfolk County Council for the year ended 31 March 2018**.**

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 31 July 2018.

Yours faithfully

MARK HODGSON

Mark Hodgson

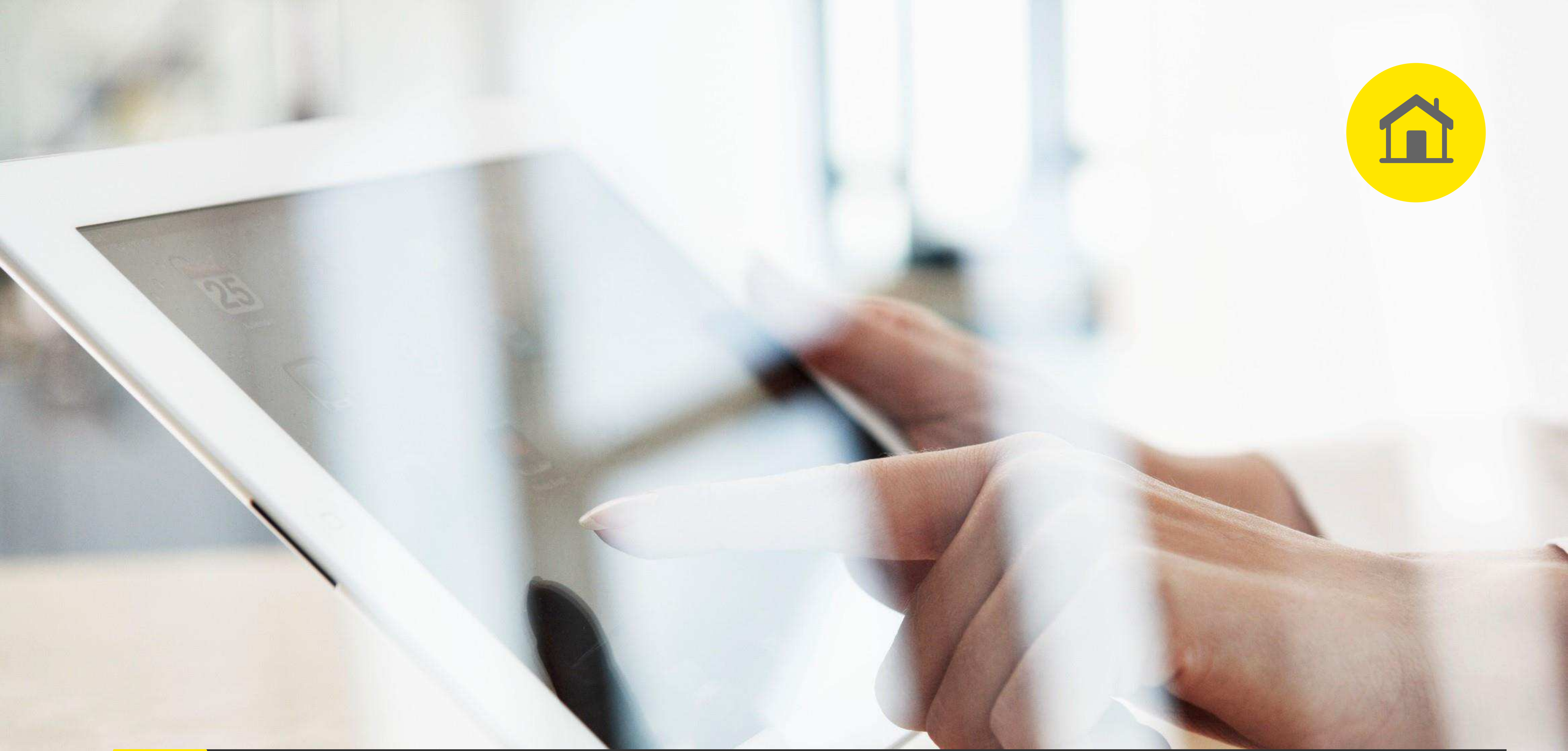
Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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 and management of Norfolk County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Norfolk County Council 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 and management of Norfolk County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 19 April 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

Changes in materiality: We planned our procedures using a materiality of £28.2 million for Norfolk County Council's single entity financial statements (for the group this was £32.2 million). We reassessed this using the draft actual results for the financial year, which has reduced the materiality to £27.8 million (for the group this remained at £32.2 million). The threshold for reporting audit differences (£1.4 million) did not change.

The basis of our assessment of materiality represents 2% of the gross expenditure on net cost of services plus financing and investment expenditure. We also identified areas where misstatement at a lower level than materiality might influence the reader of the accounts and developed a specific audit strategy for them. These areas are remuneration disclosures, related party transactions and councillor allowances. There have been no changes to the areas identified for which specific materiality levels were identified.

Fire Pension Scheme – We have adopted a smaller materiality level of 2% of benefits payable to reflect the differing nature of the Pension Scheme. We have applied a materiality of £178,720 with a reporting threshold for audit differences of £8,936.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A. The changes to the group materiality levels have not had an impact on the extent of the audit procedures we have performed.

Status of the audit

We have substantially completed our audit of Authority's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Clearance of audit questions on the Authority's application of it's Minimum Revenue Provision.
- Receipt of valuation reports to support valuation adjustments to the Authority's share of Norwich Airport assets.
- Complete testing of manual journals.
- Completion of subsequent events review.
- Receipt and review of the final version of the financial statements.
- Receipt of the signed management representation letter.

We have yet to perform the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission, as the deadline for completion is the 31 August 2018. We therefore expect to issue the audit certificate at a later date to the audit opinion.

Executive Summary

Audit differences

<u>Adjusted audit differences</u>

At the time of writing this report, we have not identified any audit differences with an aggregated impact above our reporting level of £20.9 million. Further details on the adjustments agreed with Management can be found in Section 4 - Audit Differences.

We have also identified a number of minor disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.

<u>Unadjusted audit differences</u>

We have identified two unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Audit Committee and included in the Letter of Representation.

The first relates to an estimate of Norse's share of the increase in pension assets (Group Accounts only) – the aggregated impact of unadjusted audit differences is £1.6 million. We agree with management's assessment that the impact is not material.

The second relates to a disclosure note. Note 36 of the financial statements: PFI (Private Finance Initiative) and similar contracts. We have re-worked the financial model for the Norwich Schools PFI and Street Lighting PFI and identified the internal rate of return (IRR) used in the calculations for interest payments and the reimbursement of capital expenditure payments used indexed figures. The Code of Practice on Local Authority accounting does not permit the use of indexation for these calculations. The impact is immaterial for the 2017/18 payments but is above our reporting level for the disclosure of payments between years 2-15. The aggregated impact of unadjusted audit differences is £10.6 million. We agree with management's assessment that the impact is not material.

Further details on these differences can be found in Section 4 - Audit Differences.

Areas of audit focus

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

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. During the audit, we have not identified any significant deficiencies in internal controls that require reporting to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

- Sustainable resource deployment: 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.

Other reporting issues

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

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. At the time of writing this report we are yet to complete our work on the Whole of Government Accounts (WGA) return and will provide you with an update at the Audit Committee.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

02 Areas of Audit Focus

Significant risk of fraud in expenditure recognition

Risk of fraud in expenditure recognition through inappropriate capitalisation of expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

The Authority has a net underspend against its budget of £0.235 million in 2017/18 (£0.048 million in 2016/17) and has ambitious savings targets to achieve financial balance over the next 3-5 years. As the Authority is more focussed on its financial position over the medium term we have considered the Authority's revenue and expenditure streams and consider the risk to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Authority's capital programme. We have also considered the completeness of liabilities for any management bias in achieving financial balance in the current financial year.

What judgements are we focused on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

This judgement impacts the valuation/measurement of the expenditure and also the existence of the asset on the balance sheet and completeness of expenditure included within the Comprehensive Income and Expenditure Statement (CIES).

We have also considered the completeness of liabilities at the year end with a focus on any judgements management have made in relation to the expenditure which spans the financial year end.

We have set out the procedures we have undertaken in relation to the above, as well as other supplementary procedures we have performed to provide assurances over the identified risks, on the next page.

What are our conclusions?

Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure and completeness of liabilities.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

Significant Risk

Significant risk of fraud in expenditure recognition

Further details on procedures/work performed

We have performed the following specific procedures over the identified risk areas:

- Capital additions testing - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature. No issues were noted in our testing.
- Journal entry testing - As part of our journal testing we included specific tests to search for unusual activity that:
  - Moves expenditure from the CIES to PPE on the balance sheet.
  - Reduces expenditure and creditors.

  No unusual activity was identified as part of our review.

<u>Other procedures</u>

As set out in our audit planning report we confirm that we have also performed the following supplementary procedures to gain additional assurances around the recognition of revenue/expenditure recognition:

- Reviewed the appropriateness of revenue and expenditure recognition accounting policies and testing that they had been applied correctly during our detailed testing.
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (refer to details included in the management override of control section below).
- Reviewed accounting estimates (e.g. IAS 19 liability and valuation of PPE) for evidence of management bias (see relevant sections below).
- Tested the completeness of liabilities by performing sample testing over cut off over transactions both before and after the year end and unrecorded liabilities testing over post year end cash payments to ensure that they were accounted for in the correct year based on our established testing threshold. We have also considered the overall completeness of liabilities included within the financial statements to ensure they are not materially misstated.
- Evaluated the business rationale for any significant unusual transactions.

No issues were identified in completion of our audit procedures.

Significant risk - Misstatements due to fraud or error

Misstatements due to fraud or error

What is the risk?

The risk is the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

We have assessed journal amendments, accounting estimates, adjustments between accounting basis and funding basis under regulations and unusual transactions as the area's most open to manipulation. Linking to the presumed risk of fraud in revenue and expenditure recognition we have identified the inappropriate capitalisation of expenditure on Property, Plant and Equipment as a risk. This has been identified as a specific risk as set out on the previous page, and therefore we have not repeated that information here.

What judgements are we focused on?

In undertaking our work on management override of controls we have considered the balances included in the Authority's financial statements that are the most susceptible to judgement or estimation techniques. The key areas are considered to be:

- The valuation of Property, Plant and Equipment (including the correct completion status and accrual of expenditure on the Northern Distributor Road);
- Valuation of pension liabilities; and
- Adjustments between accounting basis and funding basis under regulations.

Further information on these is given on the next page.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We tested the adjustments between accounting basis and funding basis under regulations.

We have set out the procedures we have undertaken in relation to the above, as well as other supplementary procedures we have performed to provide assurances over the identified risks, on the next page.

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 Authority's normal course of business.

As set out in our other area of audit focus for pension liabilities we identified a misstatement in the calculation of the net liability. This was not indicative of management bias.

Significant Risk

Significant risk - Misstatements due to fraud or error

Further details on procedures/work performed

Journal entry testing

We have tested 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. No issues were identified.

Accounting estimates

As set out on the previous page, key estimates are considered to be related to the valuation of Property, Plant and Equipment and the valuation of pension liabilities. Due to the significance of these on the financial statements we have included them as higher inherent risks in our audit strategy and include a separate section to report on these separately below. Given that the impact of valuation and measurement of property, plant and equipment and pension liabilities do not impact the general fund we do not consider these to be significant estimates subject to fraudulent misreporting.

Specifically in relation to other liabilities we note that accruals are low risk as the majority are based on known values/invoices.

The provisions balance in the financial statements is £26.832 million at 31 March 2018 (£25.673 million at 31 March 2017). This includes two key balances being; a self insurance provision as informed by the Authority's insurance broker (£10.995 million) and a landfill provision calculated in accordance with guidance from the Environment Agency (£12.357 million). We judge these balances as low risk as there is limited management judgement involved. Detailed testing over the balances has not identified any issues to report.

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

Adjustments between accounting basis and funding basis under regulations

The adjustments between accounting basis and funding basis under regulation in the financial statements materially changes the charges to the General Fund balance. This line is shown in the Movement on Reserves Statement. As the Regulations are varied and complex there is therefore an inherent risk that management use this line to manipulate the General Fund balance. We identified the following areas as having a higher risk of management override:

- Revenue items incorrectly identified as Revenue Expenditure Funded from Capital Under Statute,(REFCUS) thus funded from capital. This risk is linked to our risk of fraud in expenditure recognition through inappropriate capitalisation of expenditure.
- Removal of capital grants from the General Fund through the MiRS. These are material amounts and could be incorrectly applied to fund revenue items.
- Depreciation, impairment and revaluation losses. Charged to the surplus or deficit on the provision of services and then adjusted through the MiRS to unusable reserves.

No issues were noted in our work in these areas.

Significant risk - Misstatements due to fraud or error

Further details on procedures/work performed

Other procedures - As set out in our audit planning report we confirm that we have also performed the following supplementary procedures to gain additional assurances management override of control/misstatements due to fraud or error:

- Identifying fraud risks during the planning stages and determining an appropriate strategy to address those identified risks of fraud.
- Inquiring of management about risks of fraud and the controls put in place to address those risks and understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Considering the results of our work on revenue and expenditure recognition as set out above, specifically considering any instances of management bias.
- Evaluating the business rationale for any significant unusual transactions.

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

Other areas of audit focus – Accounting for Property, Plant and Equipment

Accounting for Property, Plant & Equipment

What is the risk and what judgements are we focused on?

Property, Plant and Equipment represent a significant balance in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

The Authority engages an external expert valuer who applies a number of complex assumptions and therefore we are concerned with the reasonableness of the underlying assumptions used. Annually, assets are also assessed to identify whether there is any indication of impairment.

As the Authority'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. 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.

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.

What did we do?

- Considered of the work performed by the Authority's valuers, NPS, including the adequacy of the scope of the work performed, professional capabilities and the results of their work.
- Reviewed and sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans).
- Considered 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.
- Reviewed the desktop review performed by management over assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.
- Considered external evidence of assets values via reference to the specific Local Government Gerald Eve report contracted by the NAO for auditor use. Specifically we have considered if this indicates any material variances to the asset valuations performed by the valuers and the desktop review by management.
- Considered changes to useful economic lives as a result of the most recent valuation and tested that the valuation accounting entries have been correctly processed in the financial statements, including the treatment of impairments.
- Tested the corresponding accounting entries.

What are our conclusions?

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

We did not identify any significant issues in the assumptions used by the Authority in estimating the value of property, plant and equipment.

Other areas of audit focus - Pension valuations and disclosures

Pension Valuations and Disclosures

What is the risk?

The Local Council Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) which is also administered by the Authority. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £833.446 million (£861.326 million at 31 March 2017).

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the administering body. 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.

What judgements are we focused on?

We have focused on the following areas, which are consistent with those of management:

- The reasonableness of the underlying assumptions used by the Authority's expert – Hymans Robertson.
- Ensuring the information supplied to the actuary in relation to the Authority was complete and accurate
- Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Hymans Robertson.

What did we do?

We have liaised with the auditors of Norfolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council.

We have assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office (NAO) for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. The assumptions used by the actuary have been reviewed by both PwC and our EY actuarial team who have both concluded that the assumptions and methodology used are considered to be appropriate.

We have reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 – no issues have been noted.

What are our conclusions?

In calculating the scheme assets as at 31 March 2018 the actuary performs a roll forward technique based on asset data submitted to them by the Pension Fund at 31 December 2017.

The reporting from the Pension Fund auditors highlighted that the market value of the pension fund assets at 31 March 2018 was £3,579.9 million. When compared to the actuaries estimate of the fund assets at 31 March 2018 of £3,529.2 million this creates a difference of £50.7 million.

The Authority's share of the assets equates to approximately 50% of the fund. The Authority's share of the difference was therefore approximately £25.35 million.

Management has obtained a revised IAS19 report from the actuary and has amended the accounts for the updated asset figures, reducing the net liability by £16.546 million. This is detailed in Section 4.

No other significant matters were reported by the Pension Fund auditors.

No other issues have been identified in completing our work.

Assumptions used by the actuary and adopted by the Authority are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.

Areas of Audit Focus

Other areas of audit focus

Conversion of schools to Academies

As set out in our audit plan, a number of schools have continued to convert to academy status during 2017/18. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.

There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Authority's accounts are considered to be lower risk due to their size and nature.

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.

We identified one school that had been maintained on the Authority's balance sheet as the lease agreement had not been signed due to ongoing building works. As the majority of the school was operational and managed by the Academy we agreed with management that this element should be included in the Authority's disposals. The value of the amendment was £11.815 million. We have not identified any other exceptions in the completion of our audit work.

Minimum Revenue Provision (MRP)

The Authority are required to charge the minimum revenue provision (MRP) to the Authority's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Authority makes a satisfactory annual provision for loan repayments. The Authority reviewed their MRP policy in 2016/17 and identified that MRP of £66m had been over-provided, based on a retrospective application of the Authority's new MRP policy. The Authority 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 and planned release of £12 million in 2017/18.

We have assessed the conclusions drawn on the work and assumptions used by Capita (the Authority's treasury management advisor); and tested the accounting entries and disclosures made within the Authority's financial statements in relation to MRP.

We have raised a number of questions concerning the calculation, but have obtained sufficient assurance for the release of the over provision used in 2017/18. We will conclude this work with officers in 2018/19.

Other matters

The 2018/19 Code introduces two new standards, the accounting change and impact is reported in the financial statements, note 4. We have reviewed the Authority's readiness for these standards:

Implementation of IFRS 15 Revenue from Contracts with Customers

The 2018/19 Code confirms that IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations, with implementation from 1 April 2018. The core principle in IFRS 15 for local authorities is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. The Code adopts IFRS15 without adaptation. The scope includes:

- all contracts with customers except leases, financial instruments and insurance contracts; and
- excludes Council Tax and NDR income

Given the nature of the Authority's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the single entity financial statements of the Authority. However, the Authority is yet to carry out a review of contract income from service recipients to assess the potential impact.

Implementation of IFRS 9 Financial Instruments

Although the 2018/19 Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are 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;
- Re-measure and recalculate potential impairments of those assets; and
- Prepare additional disclosure notes for material items.

Based on the information available the authority have assessed the likely impact of IFRS9 and reported the position in the financial statements.

03 Audit Report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Norfolk County Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the Authority and Group Movement in Reserves Statement, Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, and the related notes 1 to 44 to the Authority Accounts and notes 1 to 13 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Norfolk County Council and Group as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Finance and Commercial Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Finance and Commercial Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Audit Report (Continued)

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2017-18, other than the financial statements and our auditor's report thereon. The Executive Director of Finance and Commercial Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources
In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Norfolk County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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.

Our opinion on the financial statements

Responsibility of the Executive Director of Finance and Commercial Services

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 Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Finance and Commercial Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Norfolk County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Norfolk County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Audit Report (Continued)

Our opinion on the financial statements

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

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

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

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £1.4 million which have been corrected by management that were identified during the course of our audit:

- £16.5 million adjustment to the net pension liability as the actual Norfolk Pension Fund asset valuation at the 31 March 2018 was £50.7 million greater than the Actuary's estimate. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements. The adjustment represents the Authority's share on the increase in pension assets.
- £11.8 million adjustment to Property, Plant and Equipment. A trust school was included in the balance sheet at 31 March 2018. The school was being built by the Authority, the build was substantially complete but the formal lease not signed. However, the completed element of the school was under the management of the Trust from February 2018. This element of the asset has therefore been adjusted to derecognise the asset from the Council's balance sheet (as a disposal).
- £2.4 million amendment to short term creditors for S106 developer contributions that did not have conditions to repay. The adjustment reduces short term creditors with a corresponding increase in the capital grants unapplied account.
- £12.0 million reclassification adjustment to Note 3 expenditure and income analysed by nature. Income was moved from government grants and contributions into fees, charges and other service income.
- £8.4 million reclassification adjustment to Note 14 Property, Plant and Equipment. Capital additions that did not add value were moved from the 'Reclassifications and Transfers' line to the 'Impairment losses recognised in the surplus or deficit on provision of services' line.
- £6.0 million adjustment to Note 28 - Joint Arrangements, Better Care Fund. The income attributable to North Norfolk CCG was overstated by £6.0 million.

The changes have had no impact on the Authority's general fund reserve balance.

Disclosure Adjustments - We have also identified a limited number of minor disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Errors					
Judgemental differences:					
Adjustment to the net group pension liability as the actual Norfolk Pension Fund asset valuation at the 31 March 2018 was £50.7 million greater than the Actuary's estimate. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The difference represents an estimate of Norse's share on the increase in pension assets. (Component, therefore impact on group only).	(1,600)				1,600

Uncorrected disclosure misstatements

Note 36 of the financial statements: PFI (Private Finance Initiative) and similar contracts

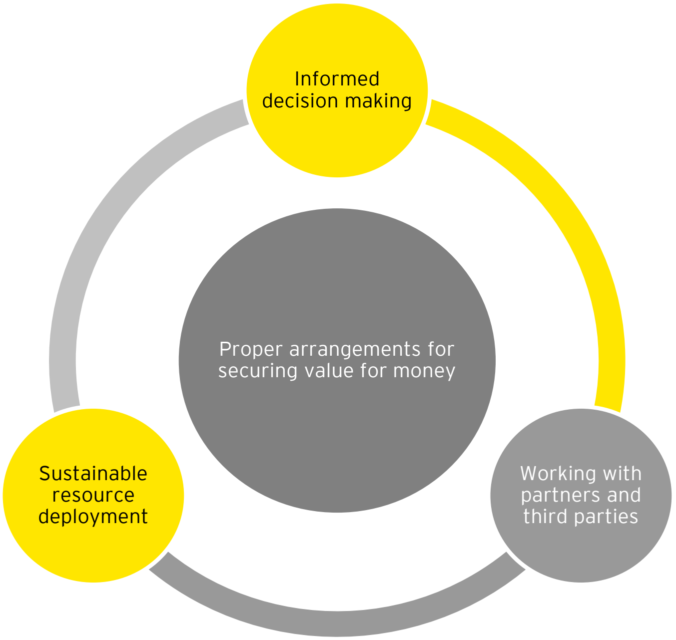
We have re-worked the financial model for the Norwich Schools PFI and Street Lighting PFI and identified:

- The internal rate of return (IRR) used in the calculations for interest payments and the reimbursement of capital expenditure payments used indexed figures. The code of practice on local authority accounting does not permit the use of indexation for these calculations. The impact is immaterial for the 2017/18 payments but is above our reporting level for the disclosure of payments between years 2-15. We estimate the following disclosure errors in payments within years 2-15:
  - Reimbursement of capital expenditure is overstated by £1.6 million.
  - Interest is overstated by £9.2 million.
- We identified management costs of £365,780 per annum in the operator's model that were not included in the financing model. These should be included to estimate accurately the fair value of services that the operator provides to the grantor. The impact is immaterial for the 2017/18 payments but is above our reporting level for the disclosure of payments between years 2-15. We estimate the disclosure of payments within years 2-15 are understated by £5.6 million.

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2018.

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.

Our assessment of this is set out on the next page.

Overall conclusion

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

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

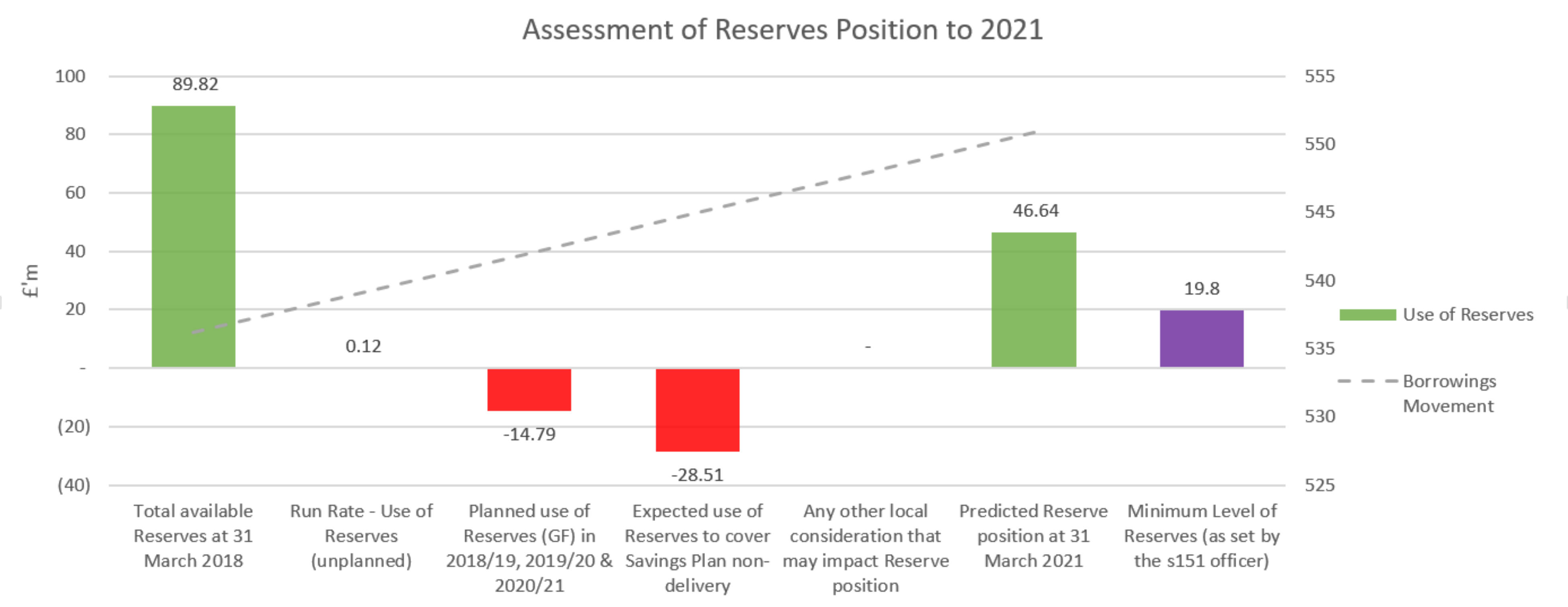
Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We identified one significant risk around these arrangements. The following pages present our findings in response to the risks in our Audit Plan and any other significant weaknesses or issues we want to bring to your attention. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Substantial savings are required over the period 2017 to 2020 to balance the budget: • 2017/18 = £47.8 million (identified savings) • 2018/19 = £29.8 million (identified savings + budget gap) • 2019/20 = £30.2 million (identified savings + budget gap) (Source: Norfolk County Council Budget Book 2017-20) The Authority approved a 2017/18 net revenue budget of £358.812 million. The Authority reported a net underspend of £0.235 million for the year ended 31 March 2018. However it is clear that the Authority is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for current and future years. Therefore a risk remains that further savings or increased income will not be identified to close the funding shortfalls.	▸ Taking informed decisions ▸ Deploying resources in a sustainable manner	We have undertaken the procedures as set out in our audit strategy which have focused on: ▸ Assessing the adequacy of the Authority's budget monitoring process, comparing budget to outturn; ▸ Considering the robustness of any assumptions used in medium term planning; ▸ Considering the Authority's approach to prioritising resources whilst maintaining services; and ▸ Considering the savings plans in place, and assessing the likelihood of whether these plans can provide the Authority with the required savings/efficiencies over the medium term. The Authority is maintaining its current level of un-earmarked general fund reserves above the prudential minimum of £19.536 million set and approved by Council. These provide the Authority with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Authority's financial standing. The Authority plans to increase the level of General Fund reserves to £23.6 million by 31 March 2021. The Authority also has in place substantial levels of earmarked reserves (£70.282 million at 31 March 2018, excluding LMS reserves). 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 Authority's prudent approach to financial management. The Authority achieved c89% of required savings in 2017/18 and to date the Authority has identified the savings required for 2018/19 of £29.9 million. However, the Authority faces significant pressure and uncertainly concerning legislative and policy changes, and the increasing demand for services. Business Rates Localisation, and implementing the Fair Funding Review adds further uncertainty to the Authority's future funding levels. The Authority's Section 151 officer has reported the importance of delivering planned savings and the identification of further savings to close the remaining budget gaps. Whilst the Authority has continued financial pressures, our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Authority's history of delivering savings plans has not identified any significant matters that we wish to report to you.

Value for Money



Our Assessment

In our assessment we considered the Authority's:

- level of savings requirement to balance the General Fund budget in each of the next 3 years;
- planned use of reserves to support the General Fund budget in each of the next 3 years;
- history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

We have also looked at the Authority's planned use of borrowing over the same time frame to inform our assessment.

As a result of our assessment, we are satisfied that based on the current circumstances, the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Norfolk County Council Statement of Accounts 2017/18 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Financial information in the Norfolk County Council Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements 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, is specified by the National Audit Office. We are yet to complete our work on the Whole of Government Accounts (WGA) return. Once completed we will report any matters arising to the Audit Committee.

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 Authority's financial reporting process. They include the following: • Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Any significant difficulties encountered during the audit; • Any significant matters arising from the audit that were discussed with management; • Written representations we have requested; • Expected modifications to the audit report; • Any other matters significant to overseeing the financial reporting process; • Related parties; • External confirmations; • Going concern; • Consideration of laws and regulations; and • Group audits. The Authority's process for preparing the related party transactions disclosure includes obtaining returns from chief officers and councillors. These are then reviewed to assess the disclosure required. Our audit work identified that a number of returns from councillors had not been received. Additional procedures were performed to gain assurance over the completeness of disclosures. The Authority should ensure a full response to the process in 2018/19. We have no matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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

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

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 23 February 2018.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 31 July 2018.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on the 2016/17 Teachers Pension return and the 2016/17 Local Transport Plan Major Project return. The audit work on these returns was completed during the 2017/18 financial year. We have adopted the necessary safeguards in our completion of this work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included above.

We confirm that none of the services has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements in relation to Teachers' Pension Return and Local Transport Plan Major Project return for 2016/17. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in Month Year.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Fee - Code work	134,347 - Note 1	127,742	131,084
Total audit	134,347	127,742	131,084
Other non-audit services not covered above (Teachers Pensions and Local Transport Plan Major Project return)		-	16,100
Total other non-audit services		-	16,100
Total fees	134,347	127,742	147,184

All fees exclude VAT

Note 1 – As reported in our Audit Plan we will also need to levy an additional fee in respect of:

- £1,428 for audit procedures required on the re-statement of the 2016/17 Comprehensive Income and Expenditure Account and Expenditure Funding Analysis as a result of the Directorate structure change.
- £1,268 for audit work on the change to the Social Services financial system.
- £3,909 for additional work to review the Authority's revised Minimum Revenue Provision policy.

All scale fee variations will be subject to agreement with the PSAA. We will report the final fee within our Annual Audit Letter.

09 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

Appendix A

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
• Property, plant and equipment • Investment property • Long term debtors • Short term investments • Cash and cash equivalents • Short and long term borrowings • PFI liability (short and long term) • Liability related to Defined Benefit Pension Scheme • Provisions (short and long term) • Capital grants received in advance • Useable and unusable reserves	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
• Intangible assets • Heritage assets • Inventories • Assets held for sale	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
• Long term investments	Immaterial - Substantively tested assertion for presentation and disclosure	Substantively tested all relevant assertions	Balance is no longer material.
Short term debtors	Substantively tested all relevant assertions	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	Due to the efficiency and the use of data analytics, we have adopted a substantive approach to test short term debtors.
Short term creditors	Substantively tested all relevant assertions	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	Due to the efficiency, we have adopted a substantive approach to test short term creditors.

Summary of communications

Date	Nature	Summary
18 January 2018	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management to debrief on the 2016/17 audit and discuss audit planning for 2017/18.
23 January 2018	Meeting	The partner in charge of the engagement met management and with the Audit Committee as part of our ongoing liaison and attendance at Audit Committee meetings.
19 April 2018	Meeting/Report	The partner in charge of the engagement met with the Audit Committee to discuss focus areas of the audit committee to discuss the updated audit planning report and areas of focus for the audit. This included confirmation of independence.
12 June 2018	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss 2017/18 audit work and medium term financial planning.
19 July 2018	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
31 July 2018	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, will meet with the Audit Committee to discuss the contents of the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings. The partner in charge of the engagement, along with other senior members of the audit team also met with the external auditor for Norse to communicate group instructions work.

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 23 February 2018
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 19 July 2018
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Norfolk County Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – 19 July 2018

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	No matters have been identified.
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit Results Report - 19 July 2018
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report - 19 July 2018
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the audit committee include: ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant	Audit Plan - 23 February 2018 and Audit Results Report - 19 July 2018

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan - 23 February 2018 and Audit Results Report – 19 July 2018

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Management have given consent for us to request external confirmations.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 19 July 2018
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Plan – 23 February 2018 and Audit Results Report – 19 July 2018
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – 19 July 2018

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 19 July 2018
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - 19 July 2018
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan - 23 February 2018 and Audit Results Report - 19 July 2018

Appendix D - Request for a Letter of Representation

Management Rep Letter

Building a better working world

Ernst & Young LLP
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ey.com

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

19 July 2018

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Simon,

Norfolk County Council – 2017/18 financial year
Request for a letter of representation

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

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

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the consolidated and council financial statements of Norfolk County Council ("the Group and Council") for the year ended 31 March 2018.

You recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Norfolk County Council as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Building a better working world

2

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

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

A. Financial Statements and Financial Records

1. You have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. You acknowledge, as members of management of the Group and Council, your responsibility for the fair presentation of the consolidated and council financial statements. You believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Non-compliance with law and regulations, including fraud

1. You acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

Management Rep Letter

3. You have disclosed to us the results of your assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. You have disclosed to us, and provided us full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to you that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
   - Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that we have requested from you for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. You have made available to us all minutes of the meetings of the Council, and committees of the 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: 31 July 2018.

4. You confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Group and Council's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

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

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

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

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

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

E. Subsequent Events

1. Other than described in the relevant notes to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

Management Rep Letter

G. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Norfolk County Council Statement of Accounts 2017-18.

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

H. Going Concern

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

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

J. Reserves

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

K. Use of the Work of a Specialist – Property, plant and equipment

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

L. Valuation of Property, Plant and Equipment Assets

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

2. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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.

   You confirm that for assets carried at historic cost that no impairment is required

M. Retirement benefits

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

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

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

O. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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.

Appendix D – Request for a Letter of Representation (continued)

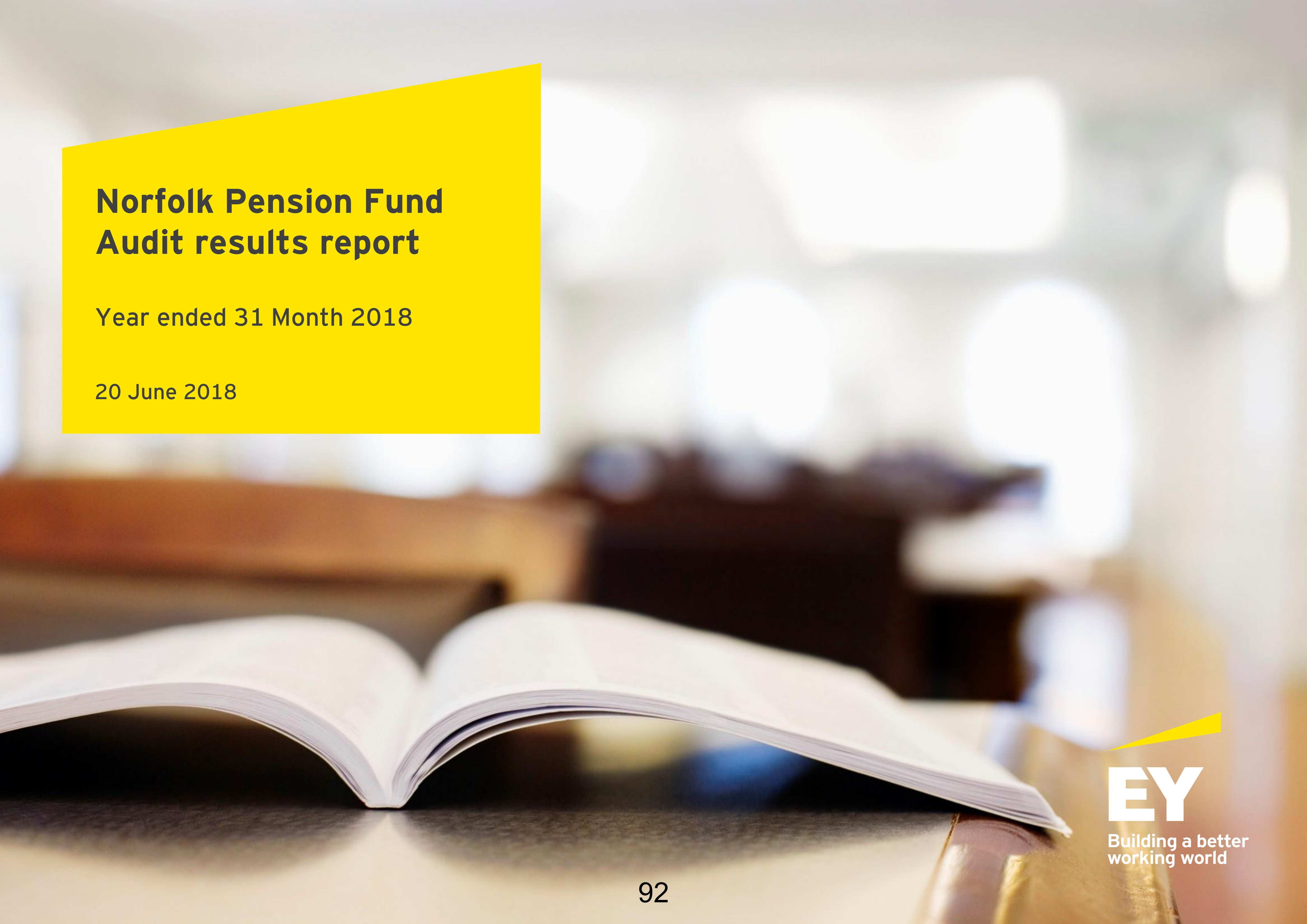
Management Rep Letter

7

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 31 July 2018) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom



Norfolk Pension Fund
Audit results report

Year ended 31 Month 2018

20 June 2018

EY
Building a better working world

20 June 2018

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Norfolk Pension Fund for 2017/18.

We have substantially completed our audit of Norfolk Pension Fund for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018.

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

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

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 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, 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 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 our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan presented to the Audit Committee on 2 March 2018, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We have 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 £51.4 million. We reassessed this using the actual year-end figures, which have increased this amount to £54.1 million. The threshold for reporting audit differences has increased from £3.4 million to £3.6 million. The basis of our assessment of materiality has remained consistent with prior years at 2% 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 2018 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. The outstanding items as of 20 June 2018 are:

- Review of the final version of the annual report;
- Review of final 31 March 2018 Private Equity valuations;
- Review of Related party declaration returns from two Pension Committee members yet to be received;
- Completion of subsequent events review;
- Completion of Final Review Procedures; and
- Receipt of the signed Management Representation letter.

Executive Summary

Audit differences

There are no unadjusted audit differences arising from our audit.

We identified a limited number of 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 Planning Report 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.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Other reporting issues

We will perform a review of the information presented in the Annual report for consistency with the financial statements and our knowledge of the Fund. As reported in the Status of Work section on page 5, we are awaiting receipt of the annual report for our review.

Independence

Please refer to Section 7 for our update on Independence. We have no independence issues to highlight.

02 Areas of Audit Focus

Significant risk

Risk of management override

What is the risk?

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

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

Significant Risk

What judgements are we focused on?

We have assessed that the risk of management override is most likely to affect investment income and assets in the year, specifically through journal postings.

Net return on investments at 31 March 2018: £175 million

Total net assets of the Fund available at 31 March 2018: £3.58 billion

What are our conclusions?

Our testing has not identified any material misstatements from investment income or year end investment assets.

We have not identified any material weaknesses in controls or evidence of material management override.

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

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business

What did we do?

We performed the following audit procedures:

- Tested journals at year-end to ensure there were no unexpected or unusual postings;
- Undertook a review of reconciliations to the fund manager and custodian reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we acquired directly from the custodian or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports;
- Reviewed accounting estimates for evidence of management bias; and
- For quoted investment income we agreed the reconciliation between fund managers and custodians back to the source reports.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

Areas of Audit Focus

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 2018 are £3.58 billion, of which Private Equity Investments (Unquoted) is £195 million (5.4% 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 2017 for pooled investment vehicles there will always be a possibility that the fund manager will provide a different valuation as at 31 March 2018.

As reported in the Status of Work section on page 5, we are awaiting final 31 March 2018 investment valuations from these fund managers.

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

03 Audit Report

Our opinion on the financial statements

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

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2018 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 2017/18.

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 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Commercial Services and Fund Administrator has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Director of Finance and Commercial Services and Fund Administrator is responsible for the other information.

Our opinion on the financial statements

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Commercial Services and Fund Administrator

As explained more fully in the Statement of the Director of Finance and Commercial Services and Fund Administrator Responsibilities set out on page 2, the Director of Finance and Commercial Services and Fund Administrator 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 2017/18, and for being satisfied that they give a true and fair view.

Our opinion on the financial statements

In preparing the financial statements, the Director of Finance and Commercial Services and Fund Administrator is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

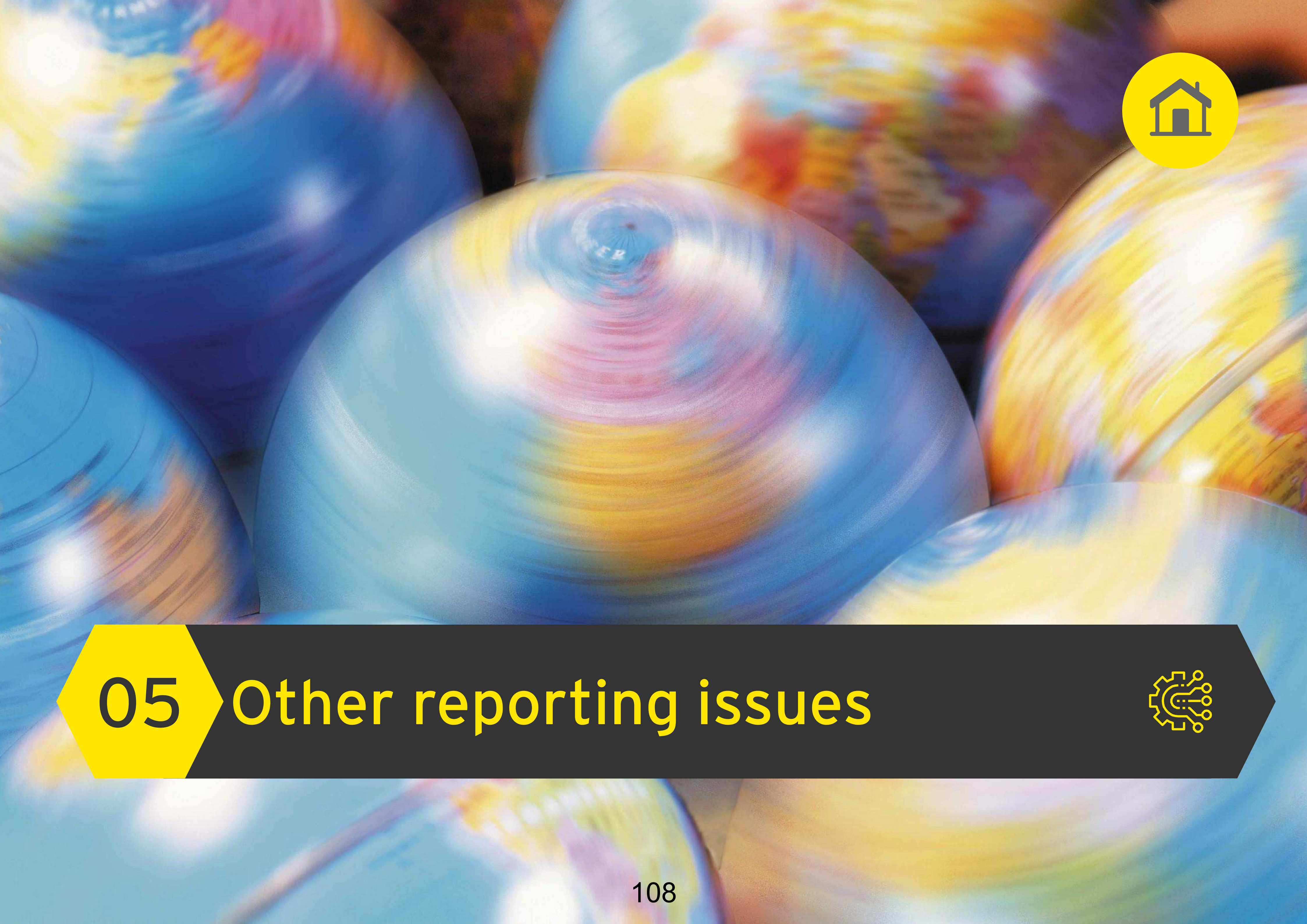
Summary of adjusted differences

We highlight the following misstatements greater than £3.6 million which have been corrected by management that were identified during the course of our audit

Our audit identified only a limited number of minor misstatements which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Accounts and Annual Report.

There are no adjusted differences that we need to bring to your attention.

There were no uncorrected misstatements.



05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Norfolk Pension Fund Statement of Accounts with the audited financial statements

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 Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").
We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]'s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; 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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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

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

07 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 2 March 2018.

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 31 July 2018.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 Month 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s	£'s
Total Audit Fee – Code work (Note 1).	29,399 – See Note 1	29,399	27,099	29,399

Note 1:
As reported in our Audit Plan report dated 2 March 2018, we plan to charge an additional fee of £2,300 in 2017/18 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies within the PSAA regime. This additional fee has been discussed with management and is subject to approval by the PSAA. We have also had a request from the auditor of a non-PSAA regime admitted body for IAS19 assurance, and are working through the impact of this on our procedures and the impact on the audit fee.

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

08 Appendices

Audit approach update

We summarise below our approach to the audit of the Net Assets Statement and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the Net Assets Statement include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Net Assets Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Long term debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Creditors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B

Summary of communications

Date	Nature	Summary
23 January 2018	Meeting/Report	The partner in charge of the engagement met with the Audit Committee to discuss focus areas of the audit this year.
19 April 2018	Meeting/Report	The partner in charge of the engagement met with the Audit Committee to discuss focus areas of the audit committee to discuss the Audit Plan and areas of focus for the audit. This included confirmation of independence.
20 June 2018	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
26 June 2018	Meeting/Report	Pension Fund consideration of our Audit Results Report.
31 July 2018	Meeting/Report	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit Committee and senior members of the management team to discuss the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 2 March 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 2 March 2018
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - 31 July 2018
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report - 31 July 2018

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report - 31 July 2018
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report - 31 July 2018
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - 31 July 2018
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	We have no matters to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Results Report - 31 July 2018
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have no matters to report.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 31 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 31 July 2018
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - 31 July 2018
Fee Reporting	▸ Breakdown of fee information when the Audit Plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – 2 March 2018 and Audit Results Report - 31 July 2018

Appendix D – Request for a management representation letter

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Ernst & Young LLP
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20 June 2018

Simon George
Executive Director of Finance
Norfolk County Council
County Hall
Martineau Lane
Norfolk
NR1 2DH

Dear Simon,

Norfolk Pension Fund – 2017/18 financial year
Request for a letter of representation

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

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

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Norfolk County Council ("the Group and 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 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.

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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 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, 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 (See Note B)

A1. That you have fulfilled your 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 2017/2018.

A2. That you confirm that the Fund is a Registered Pension Scheme. That you are not aware of any reason why the tax status of the scheme should change.

A3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018, and are free of material misstatements, including omissions. You have approved the financial statements.

A4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

A5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 that are free from material misstatement, whether due to fraud or error.

A6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

B1. You acknowledge that you are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

B2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

B3. You 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.

B4. You have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of our advisors.

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B5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

B6. You have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

C1. You have provided you with:

- Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

C2. You have been informed of all changes to the Fund rules.

C3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

C4. You have made available to you all minutes of the meetings of the Pension and Audit held through the year to the most recent meeting on the following date: 26 June 2018 for the Pension Fund Committee and 31 July 2018 for the Norfolk County Council Audit Committee.

C5. You confirm the completeness of information provided regarding the identification of related parties.

C6. You have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which You are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as Youll 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.

C7. You 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.

C7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

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C8. You believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

D1. 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.

D2. You have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

D4. You have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

D5. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

E1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

F1. You acknowledge our responsibility for the preparation of the other information. The other information comprises The Norfolk Pension Fund Annual Report and Accounts 2017/2018.

F2. You confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

G1. You confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

H1. You confirm that all investments in derivative financial instruments have been made after due consideration by the [members of the management of the Fund] of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

H2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I - Pooling investments, including the use of collective investment vehicles and shared services

I1. You confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

J1. The latest report of the actuary Hymans as at 31 March 16 has been provided to you. To the best of our knowledge and belief you 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.

K. Use of the Work of a Specialist

K1. You agree with the findings of the specialists that you have engaged to value Private Equity Investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates – Valuation of Investments

L1. 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 2017/2018.

L2. You 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.

L3. You confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

L4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

M. Specific Representations

You 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 Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (currently 31 July 2018) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Audit Committee

Item No……

Report title:	Annual Statement of Accounts and Annual Governance Statement 2017-18
Date of meeting:	31 July 2018
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 2017-18.

Executive summary

This report introduces Council's Annual Governance Statement and the Statement of Accounts of Norfolk County Council for 2017-18 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 4 June 2018 was a net underspend of £0.235m which was transferred to General Balances.

The Council has net liabilities of £50.3m at 31 March 2018. 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.

The attached report (Appendix 1) contains:

- A narrative summary of the financial statements and
- An introduction to the proposed Annual Governance Statement 2017-18, 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 systems of internal control and internal audit are considered adequate and effective;
- consider and approve the Annual Governance Statement (Annex 1);
- consider and approve the Council's 2017-18 Statement of Accounts (Annex 2).

1. Introduction

This report summarises the Statement of Accounts of Norfolk County Council and associated Annual Governance Statement for 2017-18.

2. Evidence

The following appendices are attached:

- Appendix 1: a narrative summary of the accounts and AGS
    - Annex 1: the draft Annual Governance Statement for 2017-18
    - Annex 2: the latest draft 2017-18 Statement of Accounts.

3. Financial Implications

The final position for all departments as reported to Policy and Resources Committee on 4 June 2018 was a net underspend of £0.235m. 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 attached 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

IN TRAN communication for all

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

Appendix 1

Narrative Summary of Annual Statement of Accounts and Annual Governance Statement 2017-18

1. Introduction

1.1 As part of the formal process of closing the County Council's 2017-18 accounts, Members are required to consider and approve the Annual Governance Statement attached as Annex 1, and to approve the Statement of Accounts ("the accounts"), attached as Annex 2, for publication on 31 July. This process of approval is included within the Committee's terms of reference.

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

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

2. Background

2.1 The 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 2018 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 2017-18 and the provisions and reserves held at 31 March 2018 to Policy and Resources Committee on 4 June 2018.

2.4 The net underspend of £0.235m reported to Policy and Resources Committee on 4 June 2018 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 31 May was publicised on the Norfolk County Council web site in accordance with relevant regulations. One question from a journalist with a question confirming the levels of reserves and general balances was answered using information contained in the draft Statement of Accounts. No other enquiries from the public were received during this period.

2.6 The draft 2017-18 Statement of Accounts, dated 30 May, 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 2017-18 Statement of Accounts must be published by 31 July.

2.10 This is the first year that the Accounts and Audit Regulations have required the 2017-18 draft Statement of Accounts to be published by 31 May, and the audited accounts by 31 July. Equivalent dates in previous years have been 30 June and 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 19 April 2018 that in his opinion the effectiveness of risk management and internal control for 2017-18 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 2017-18 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 A small number of changes have been made to the statement since it was published and these are highlighted in yellow on pages 2, 3 and 8 of the Annual Governance Statement attached as Annex 1. The final statement will be duly signed by the Managing Director and the new Leader of the Council.

4. Changes to the Presentation of the Accounts

4.1 The Council continues to prepare its Statement of Accounts under International Financial Reporting Standards as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

4.2 There have been no significant changes to accounting policies since 2016-17. Proposals which would have had a material impact on the valuation of the Highways Network Asset have been abandoned for the foreseeable future.

4.3 In accordance with changes to the CIPFA Code in 2016-17, note 2 "Expenditure and Funding Analysis" analyses amounts charged to the general fund for each of the Council's Directorates. The required format does not give a specific reconciliation to the net cost of services and the reported underspend. This reconciliation is as follows:

		£m
Net transfers from earmarked reserves –	opening	75.187
(note 10)	closing	(76.159)
Movement in reserves		**(0.972)**
Underspend reported to P&R 4 June 2018		(0.235)
Net (Surplus)/Deficit (note 2, Expenditure and Funding Analysis)		**(1.207)**

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 2017-18. 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.
In addition to the Norfolk County Council single entity accounts, the Statement of Accounts includes a summary of the Fire fighters' pension scheme, Norfolk County Council's Group Accounts, and the Norfolk Pension Fund Accounts.

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

Explanatory Foreword

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

Statement of Responsibilities

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

Independent Auditors' Report

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

Movement in Reserves Statement

5.6 This statement shows the movement during the year of all the Council/Group's 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 1 April 2017	**19.301**
Net underspend 2017-18	0.235
General Balances at 31 March 2018	**19.536**

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 2018. 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 2017-18. Reductions in land and building are due mainly to schools converting to academy status. Decreases in assets under construction have been more than offset by increases in infrastructure assets as significant proportions of the Norwich Northern Distributor were complete and in use at 31 March 2018. There has been one disposal within Heritage Assets (note 15) following the surrender of a lease on one windmill.

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 £0.3m due mainly to the disposal of one property jointly owned with Norwich City Council.

5.13 Long term investments are unchanged since last year. The total of Cash and Cash Equivalents (note 19), has decreased by £37m due to a decrease in the Council's overall cash balances following significant expenditure on the NDR, and also to a greater proportion of cash held on term deposits. Short term investments have decreased by £32m, also related to the general decrease in working capital over 2017-18 as grants and borrowing received in 2016-17 was spent in 2017-18.

5.14 The levels of short term debtors (note 18) and long-term debtors have seen modest increases but remain broadly in line with 2016-17. The increase in long term debtors is consistent with an additional £3.5m capital loan made to the Norse Group.

5.15 Amounts classed as Asset Held for Sale (note 20) have increased since 2016-17. Property valued at just under £1m was sold during the year and has been replaced with properties valued at £3.3m actively awaiting sale at the end of the year in accordance with a policy of generating capital receipts and reducing property maintenance and management costs.

5.16 Total long-term liabilities shown on the face of the balance sheet increased are broadly unchanged at £1.8bn, with a net increase of £22m in long term PWLB borrowing partly offset by reductions in pensions and other long-term liabilities.

The reported Council's net pension liabilities (Local Government Pension Scheme and Fire-Fighters Pension Scheme) decreased by £8m to £1,185m (note 39, net liability arising from defined benefit obligation). The Council's net Pension Liability is one of the largest individual figures in the accounts. Over the past few years the liability has been volatile, with annual increases and decreases of over £200m, but it has been little changed over 2017-18.

The IAS19 reporting standard requires the Fund Actuary to set the Discount Rate (the rate used to value liabilities) by reference to market bond yields. All things being equal, as the discount rate fall, the value attributable to liabilities will increase. As shown in the table below, the assumed rate for discounting scheme liabilities has seen little change, and therefore the balance sheet position for a typical employer is likely to be similar at 31 March 2018 compared to the previous year.

Period ended	31 March 2017 % p.a.	31 March 2018 % p.a.
Pension increase rate	2.4%	2.4%
Salary increase rate	2.7%	2.7%
Discount rate	2.6%	2.7%

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

The Council's overall reported Net Assets are negative at -£50.3m. This figure to a large extent, depends on two unrelated factors, one being the valuation of local authority assets, most of which cannot be sold or exchanged for value, with the other being the net pension liabilities.

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

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

5.18 <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 The adjustments in note 9 are applied to the Movement in Reserves Statement. The Statement of Accounts General Fund Balance of

£95.695m is the sum of £19.536m General Balances figure reported to 4 June 2018 Policy and Resources Committee, plus the earmarked reserves of £76.159m listed in note 10.

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 have been considered by the 26 June 2018 Pensions Committee which resolved:

1. That the Pensions Committee notes the 2017-18 Annual Report and Accounts of the Norfolk Pension Fund (at Appendix A to the report).
2. Notes the Ernst and Young ISA260 report and endorses the letter of representation (which due to the faster close timeline were laid on the table) and ask that the Chair of the Pension Committee and Executive Director of Finance and Commercial Services sign the letter on behalf of the Pension Fund.
3. That the Pension Fund financial statements are presented to the Audit Committee at their meeting on 31 July 2018 for approval as part of the Norfolk County Council Statement of Accounts.
4. That the Annual Report and Accounts be published on the Fund's website prior to 1 December 2018 as required by the LGPS regulations.

6. Accounting adjustments, corrections and changes since the 30 May draft

6.1 Since the publication of the draft accounts on 30 May, and during the audit, officers and Ernst & Young have identified a number of adjustments to correct non-material errors or to enhance disclosures within the financial statements and associated notes.

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

Material/significant adjustments to the core statements since the 30 May draft accounts

6.3 **Pension liability – information not available at time of draft**
Following additional work by the Pension Fund scheme actuary, the Council's Local Government Pension Scheme net liability has reduced by £16.546m. This has:

a) reduced Other Long Term Liabilities in the Balance sheet and
b) reduced Other Comprehensive Income and Expenditure in the CIES.

Accounting implications of change in control of new school
The value of a trust school being constructed by the local authority was included as a property asset in the draft accounts, on the basis that the majority of the building work was complete at the year-end but it had not been formally transferred to the Trust. However, the completed element of the new building was in use by the Trust since February 2018. Following discussion with the auditors, the Council agreed that the cost of the occupied area should be treated as an accounting disposal, with the unfinished element remaining in Assets Under Construction.

The impact of this change has been:

a) to decrease by £11.815m the year-end value of Property, Plant and Equipment on the balance sheet and
b) to increase other operating expenditure in the CIES by £11.815m.

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

Other Significant adjustments and error corrections

6.4 **Re-classification of unspent contributions from conditional to unconditional**
The year-end analysis of unspent developer contributions classified as conditional were found to contain capital contributions which should have been classified as unconditional, on the basis that they will not have to be re-paid. The impact has been a reduction of £2.234m in Short Term Creditors in the balance sheet, balanced by an equivalent increase in

Useable reserves (Capital Grants Unapplied Account). The balance sheet net assets total was not affected.

Other changes

As a result of audit questions and internal work, a number of other corrections have been made to address errors and inconsistencies, and to improve presentation of the single entity, pensions and group accounts. The more significant changes are listed in the Audit Results Report elsewhere on this agenda.

A paragraph has been added to the contingent liabilities note setting out uncertainties around the final value of land compensation following the completion of the NDR. This is due to on-going negotiations with a large number of landowners.

All adjustments requested by the auditors have been made, and no further changes are anticipated. However, in the course of their work the auditors have identified items in relation to, for example, the group accounts and PFI disclosures which do not warrant amending for 2017-18 but which may be adjusted in 2018-19 as necessary.

Overall impact of adjustments since the May draft

6.5 The net liabilities of the Council are £50.333m, as shown in both the Balance Sheet and the Movement in Reserves Statement. This is a reduction of £6.965m since the draft dated 30 May 2018.

The changes above have had no impact on the Council's general fund or useable reserves.

Impact of faster closing

6.6 Faster closing has had a significant impact on the speed at which the draft and final accounts have had to be prepared, which has been a challenge for both officers and auditors.

A dry-run in 2016-17 proved invaluable. However, the earlier deadline has inevitably resulted in a greater use of estimates (for example where pension liability final calculations were not available) and less time to conclude on the proper treatment of unusual transactions (for example the Trust school classification).

Overall, the number of material adjustments made to the draft accounts has been small. To maintain this performance, officers will aim to discuss with auditors prior to future year ends: 1) all potentially difficult accounting judgements, and 2) how late changes to material estimates relating to, for example, the pension liability and PPE values, can be best resolved within the context of the tighter deadlines.

7. Developments in local authority accounting

7.1 **Faster closing**

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

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. The Executive Director of Finance and Commercial Services responded positively.

On 18 December 2018 the PSAA confirmed the appointment of Ernst & Young LLP to audit the accounts of Norfolk County Council for five years, for the accounts from 2018/19 to 2022/23. This appointment was made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and was approved by the PSAA Board at its meeting on 14 December 2017.

Annex 1 - Annual Governance Statement 2017-18

DRAFT Annual Governance Statement for Norfolk County Council 2017-18

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 19 April 2018 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2017-18, was acceptable and therefore considered sound. The Committee agreed with this opinion. This statement will be approved, along with the Statement of Accounts, at the 31 July 2018 meeting of the Audit Committee.

1.3. As part of producing this statement, Executive Directors have completed and signed an Annual Positive Assurance Statement and completed 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 International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014). The Code was approved by the Policy and Resources Committee on 26 March 2018. If you require any further information regarding this statement please contact Mr. Simon George, Executive Director of Finance and Commercial Services, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW.

2.3. Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, 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 Norfolk Pension Fund Governance Statement 2017.

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
- Norfolk and Waveney Joint Health Scrutiny Committee.
- Road Casualty Reduction Partnership Board

2.7. The Council has ten subsidiary companies and one legislator company, detailed below:

Active Companies:

- The largest wholly owned company by the Council is the Norse Group Limited. It is the parent company of NPS Property Consultants Limited, Norse Transport, Norse Eastern Limited, Norse Commercial Services Ltd and Norse Care Ltd, plus their subsidiaries. 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/.
- 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/

- Legislator 1656 Limited is a holding company which is jointly owned with Norwich City Council and is controlled through each party owning 50% of the voting share capital. The company owns a 4.9% share in Norwich Airport Limited and 100% of Legislator 1657 Limited whose principal activity is the leasing of investment properties.
  Non Active companies:

- The Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, with each party owning 50%. The company is currently in the process of being closed.

- Norfolk Energy Futures Ltd is wholly owned by the Council. The company is currently in the process of being closed.

- Norfolk Regeneration Company Limited (NRC) is a wholly owned by the Council. It is currently dormant.

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

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

- Repton Property Developments Ltd, incorporated on 27 July 2017, is a wholly owned by the Council.

Where appropriate the wholly owned/partly owned companies have Council Member and/or Officer representation on their boards of directors. An audit has recently been undertaken (and not yet reported) of Norfolk Safety Community Interest Company. All other significant companies have signed an Annual Positive Assurance Statement and completed a supporting assurance table.

2.8. The Council is a partner in three 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. 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 is a Better Care Fund pooled arrangement in place, covering 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. The pooled fund is secured through an agreement under section 75 of the National Health Service Act 2006. The Norfolk and Waveney Chief Officer Group overseas the governance of the pooled fund. The Better Care Fund plan, which sets out how funds are spent, is required to be approved by the Health and Wellbeing Board. The Council administers the pooled funds.

2.9 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.

The programme is an EU Commission programme funded through the Cohesion Fund and provides up to €223M of grant covering the geographic area of South and East England and Northern France. This will leverage up to a total of €315M of funds (with match funding). The programme budget is agreed by the French and UK Governments. The Cooperation Programme (CP) was approved by both national governments and by the Commission in October 2015. For further information please refer to website https://interreg5a-fce.eu

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 resolved with regards to the management and control system, these would be reported to the Audit Committee. No such issues were reported in 2017/18.

The programme also has its own governance arrangements involving Member States and EC representatives.

3. The purpose of a governance framework

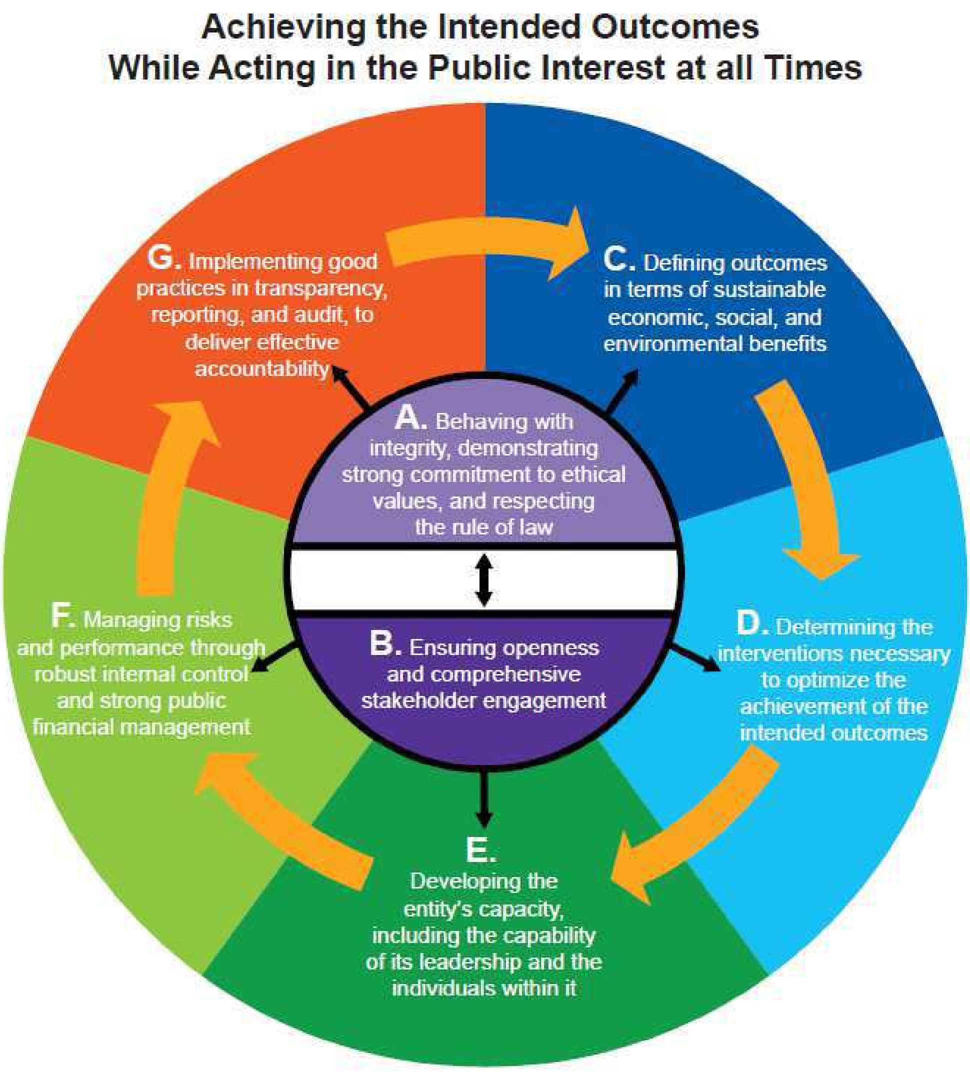
3.1. A governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and consider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

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

3.3. All wholly owned companies have a system of governance which is the responsibility of their Board of Directors and designed to give the Directors adequate information to review the activities of the Group and review and control the business risks.

4. The Governance Framework

4.1. The council achieves good standards of governance by applying the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (The 'International Framework').



4.2. This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times. As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C – G)

4.3. The Council's Code of Corporate Governance details the arrangements in place to comply with each of the principles. The Annual Governance Statement reviews the effectiveness of those arrangements.

5. Effectiveness of the governance framework

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

That review is informed by:

- The work of the Executive Directors within the County Council who are responsible for the development and maintenance of the governance environment.
- The Statutory roles of the Council's Monitoring Officer and Section 151 Officer
- The signed departmental assurance statements received and signed by Executive Directors
- The Annual Governance Statement working group
- Work performed by Internal Audit
- Comments made by the external auditors and other review agencies and inspectorate
- Systems and controls carried out as outlined in the Code of Corporate Governance.

Responsibility for this annual review has been delegated to the Audit Committee. Overall it is considered the Council's governance arrangements continue to be fit for purpose, in accordance with the governance framework.

5.2 The effectiveness of the governance framework can be demonstrated by the following:

	Principles	Comment
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Executive Directors have confirmed services comply with the Council's Constitution, Financial Regulations and key policies and procedures which include for declarations, compliments and complaints and whistleblowing. Relevant topics, for example health and safety, are reported to committees during the year. There are up to date registers of Members interests and register of gifts and hospitality published for each Member on the Norfolk County Council internet. The Standards Committee met twice during 2017-18. The role of the Standards Committee is to promote and

	Principles	Comment
		maintain high standards of conduct by councillors and co-opted members. Progress on the Council's Equality, Diversity and Inclusion objectives 2017-2020 was reported to the Policy and Resources committee in January 2018. An Annual report of the Monitoring Officer will be made to the Audit Committee at the 31 July 2018 meeting. There are no exceptions to report.
B	Ensuring openness and comprehensive stakeholder engagement.	Committees and Full Council have met regularly throughout the year. These are open meetings and the agenda and public reports are available to the public prior to the meetings. There is also provision for the public to ask questions. Decisions taken at these meetings have been recorded in minutes. The agendas, public reports and minutes are available on the Council website, with the exception of certain confidential information. NCC's vision and strategy for 2018-2021 is published on the internet. A Norfolk Strategic Framework has been approved. It includes the shared objectives with Norfolk's Local Planning Authorities (including Norfolk County Council). During the year the Council has engaged with individual citizens and service users effectively. The Council embraced the philosophy "We Asked, You Said, We Did" approach to consultation and promotes material advising the public and other stakeholders of the key findings from consultations and how they have been considered. An example of this was in respect of budget saving proposals. As well as formal consultations the Council runs a variety of events and manage a variety of panels or forums. In doing so, these create opportunities for open dialogue with people who use our services enabling them to feedback their views, interests and concerns relating to the services we offer. Our key events and public forums included a Business Rates Consultation Event, Make it Real Older People's forum, In Care Council, Norfolk Youth Parliament and Residents' panel. There is an agreed Communication Strategy and Media Protocol. Roles and responsibilities for communication should be clear.

	Principles	Comment
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.	The previous County Council Plan 2016-19 had set out the Council's previous 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. It was refreshed during the year. The vision for Norfolk in 2021 was approved by Full Council on 12 February 2018. This sets out the direction of the Council in the next three years and what it would like to achieve. The 'Vision for Norfolk 2021 Caring for our County' outlines the Council's commitment to: - Building communities we can be proud of - Making the most of our beautiful County - Starting a new relationship with Norfolk families - Investing in children and families - Helping our population remain independent, resilient and well - Getting our own house in order. The approach is guided by four key principles: - Offering our help early to prevent and reduce demand for specialist services - Joining up our work so that similar activities and services are easily accessible, done well and done once - Being business-like and making best use of digital technology to ensure value for money - Using evidence and data to target our work where it can make the most difference The Council has also identified seven priorities to bring focus and energy to this phase of transformation – under the banner of 'Norfolk Futures'. These priorities are: - Safe children and resilient families - Promoting independence for vulnerable adults - Local service strategy - Smarter information and advice - Towards a Norfolk housing strategy - Digital Norfolk - Commercialisation. There is focussed activity on each priority, with County Leadership Team sponsors and Senior Officer Business Leads.

	Principles	Comment
		Each Committee has produced a 3 year plan, setting out how their areas of responsibility will be shaped by the ambition and principles of "Norfolk Futures" and promote the council's vision. These plans were approved by Service Committees in March 2018. Progress against overall transformation is being monitored by the Policy and Resources Committee.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.	During the year each Service Committee received performance monitoring reports on the identified key areas (vital signs). These included performance dashboards and a detailed review of those areas not performing as expected. These provided both quantitative and qualitative performance information. In parallel, each Departmental Management Team reviewed performance at least monthly, with challenge provided by the Business Intelligence function. The specific targets included in the County Council Plan 2016-19 are monitored through reports to Service Committees. Where performance is not meeting expectations, the reasons why are discussed and the required action to perform performance is identified. An example of this can be found here on page 91. The vital signs have recently been updated for all departments, to ensure the most important areas are monitored. Each department has produced a Plan on a Page and are being reported to Service Committees. These detail 'what we'll do', 'how we'll do it' and 'how we'll know if we've made a difference'. External challenge has been provided through benchmarking, inspections and peer reviews. Details of inspections and peer reviews are included in Appendix 1.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.	During the year the County Leadership Team signed off an Organisational Effectiveness Strategy and plan including key priorities on leadership, shared purpose and performance. To embed the refreshed County Plan and strategy, a refreshed performance development framework has been developed and is now being rolled out to all managers in April 2018.

	Principles	Comment
		Refreshed key people measures have been signed off and work has been underway to refresh the Council's values and key leadership attributes for roll-out in April 2018.
F	Managing risks and performance through robust internal control and strong public financial management.	Corporate and departmental risk registers are up to date and are being used by managers as a management tool. Reporting of risk management activity to Members and senior management is embedded; for instance corporate risk registers have been reported quarterly and annually to the Audit Committee and the County Leadership Team. Departmental risk registers have been reported quarterly to the Service Committees. The quality and range of data and information included in these reports has been strengthened to better inform on progress with managing specific risks and give them a better overview of the risk profile of each service. The risk management framework and policy have been updated during the year, as reported in the Annual Risk Management report (page 188). 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. Norfolk FRA published its Integrated Risk Management Plan (IRMP) for 2016-2020 in February 2016. The latest annual Norfolk FRA Statement of Assurance, covering 2016-17, was approved and published in March 2018. Performance monitoring is reported through to Committees. All the Executive Directors have confirmed approved protocols, signed contracts and effective governance arrangements are either in place or in the process of being put in place for work performed by third parties. Performance of wholly owned companies is monitored by Senior Officers and Members attendance at Board Meetings. The Council has effective overview and scrutiny. Decisions are made by all-party committees with membership reflecting the overall political makeup of the Council. Committees debate, challenge and make decisions. The Member Training Programme ensures

	Principles	Comment
		Members are aware of their responsibilities in decision making. This includes being sufficiently challenging and ensuring they have the appropriate level of support and information to enable them to make an informed decision. The Council has robust internal control: • An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 19 April meeting. There were no exceptions to report. • Systems and processes for financial administration, financial control and protection of the Council's resources and assets are in place and these are continually reviewed to ensure they meet the Council's business requirements. These controls are clearly described in the Council's Medium Term Financial Plan agreed by the Council in February 2018. In addition, a Going Concern Statement has been produced to provide additional assurance. • Effective internal control arrangements are in place. These include financial guidance, budgetary systems, monitoring systems, delegation arrangements, accounting procedures, information systems and authorisation and approval processes. • Annual accounts are published on a timely basis. • An effective internal audit function is resourced and maintained. • Risk management arrangements are effective. • An effective Audit Committee is in place. • Measures are in place to prevent, detect and investigate fraud and corruption. • The internal audit team is compliant with the relevant professional standards, namely the United Kingdom Public Sector Internal Audit Standards. From January 2017 these were updated and are now known as the International Standards for the Professional Practice of Internal Auditing. An external review was undertaken by CIPFA in May 2017. • Outstanding corporate high priority audit recommendations are followed up to ensure controls are put in place as soon as possible. A

	Principles	Comment
		summary of the outstanding corporate high priority audit findings is reported to the Audit Committee. Information Asset Owners of key systems provided assurance during a data quality audit that in their opinion controls and processes are robust enough to ensure good quality data. All Executive Directors have confirmed there are processes in place to ensure the quality of data is maintained to enable effective decision making to be made. Action plans are in place following internal audit work on Information Security during the year and has been included as a Corporate Risk (RM003). The Council has had a plan in place for the General Data Protection Regulation (GDPR) preparations which is regularly reviewed by the County Leadership Team. We have strong public financial management. Responsible Budget Officers are responsible for managing their budgets effectively. At the end of every month financial information on expenditure is produced including forecast expenditure and the planned impact on earmarked reserves. Finance Monitoring Reports are discussed at Service Committees.
`	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	During the year the Council has published information, including reports, in a manner which is accessible to citizens and other stakeholders. The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames. Reporting on performance, value for money and the stewardship have been included in the Annual Report, Statements of Accounts and Annual Governance Statement. The Audit Committee has considered matters of governance, including internal audit, risk management, anti-fraud and corruption, the annual statement of accounts, treasury management and external audit during 2017/18. An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 19 April. There were no exceptions to report. All Executive Directors have confirmed staff are aware of their responsibility to report upwards any unresolved matters of concern about internal control.

5.3 Wholly owned Companies have completed assurance statements confirming the effectiveness of their governance framework, with the exception of Norfolk Safety Community Interest Company where an audit has been carried out during the year. No concerns have been identified.

6. Review of Effective Action on Significant Governance Issues 2016/17

6.1 There were no significant governance issues reported in 2016-17.

7. Significant Governance Issues

7.1 There are no significant governance issues to report for 2017-18.

Acting Leader – Alison Thomas

Dr Wendy Thomson CBE
Managing Director

Notes:

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

- Managing Director
- Executive Director of Adult Social Services
- Executive Director of Children's Services
- Executive Director of Community and Environmental Services
- Executive Director of Finance and Commercial Services (Section 151 Officer)
- Strategy Director
- Head of Democratic Services
- Head of HR.

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
Executive Director of Children's Services
Strategy Director

Appendix 1

External Reviews carried out during the year

	Comment
3	Finance and Commercial Services • The overall key message in the external auditor’s (EY) Annual Audit Letter (available on the Council Finance webpage Statement of Accounts 2016-17) was that an unqualified opinion was issued on the Council’s accounts for 2016-17. • The County Council was also given an unqualified ‘Value for Money’ opinion, within the Annual Audit Letter 2016-17. • The controls within the payroll function are audited annually by internal audit. HR • The Health & Safety function is ultimately answerable to the HSE and in the last year we had one investigations by the HSE. The HSE concluded that our systems were satisfactory. There is a third investigation which is ongoing at this point. 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 2018 and its accreditation as a legal practice was renewed. Children’s Services The re-inspection Ofsted report dated January 2018, in respect of children in need of help and protection, children looked after and care leavers, recognised Norfolk County Council had shown a significant increase in the pace of change, with visible and effective interim senior leaders working purposefully to tackle critical weaknesses. The support for children looked after, care leavers and children with a plan for adoption has improved and most receive timely, effective help. However, these services still require improvement to be good. The service provided to children with a plan for adoption is outstanding. Community and Environmental Services (CES) • An internal audit (resourced by BDO) was carried out on the compliance with NDR Contract Management and an internal audit was completed for the NDR Scheme of Delegation. An acceptable opinion was given for both audits.

	Comment
	• Norfolk Community Learning Services were shortlisted as one of the six finalists for the most improved Council category, in the Municipal Journal awards 2017. • Other accreditation obtained by CES have been appended at Appendix 1.

Annex 2 – Draft Statement of Accounts 2017-18

Norfolk County Council

Statement of Accounts

2017-18

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. The most recent election took place in May 2017 and resulted 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. At the start of 2017-18 there were five service committees: Adult Social Care, Children's Services, Communities, Environment Development and Transport, and Policy and Resources. Two additional service committees were set up during 2017-18: the Business and Property Committee is responsible for promoting economic development and regeneration, and the Digital Innovation and Efficiency Committee is responsible for ICT management and for delivering the Council's commitment to exploit digital technologies for the benefit of the County of Norfolk and its residents.

Service Committees are supported by a number of specialist committees, panels and working groups.

The Council's operational structure (approved December 2016) is based on four Executive Directors alongside the Chief Legal Officer and a Strategy Director, all reporting to the Managing Director. The directors lead the following five departments: Children's Services; Adult's Services; Community and Environmental Services; Finance and Commercial Services; and the Managing Director's Department which encompasses Legal and Democratic Services and Strategic Services. This structure is intended to secure improvements in both strategic and transactional services required to meet the changing needs of different customer groups across the council. Statutory officer roles report to the Managing Director in fulfilling their statutory responsibilities.

Progress through 2017-18

The following section looks at progress within each of the major service areas affecting Norfolk's residents through 2017-18.

Infrastructure

Construction of the Norwich Northern Distributor Road (NDR – the A1270, also known as the Broadland Northway) made good progress over the summer of 2017, allowing the opening of the first 6 km, from the A1270 Fakenham Road to the A140 Cromer Road, to open in November, more than three months ahead of schedule. This was followed by the next 7.75km to the A1151 Wroxham Road before Christmas. The final phase of 5.25km linking to the Postwick Hub roundabout included the most complex structure on the route – a flyover carrying the dual carriageway over the Norwich to Sheringham railway opened to traffic in April 2018. The Council has continued to develop the initial business case appraisal for a Norwich Western Link to join the NDR to the Norwich southern bypass.

Work is well under way on transport improvements to make it easier to get into and around Great Yarmouth, using £9m provided from New Anglia Local Enterprise Partnership. In autumn 2017 work began to improve some of the town's congestion hot spots and the area around the railway station. This will benefit both visitors and the borough's economy. The 2017 Autumn Budget contained some great news for Norfolk, as Chancellor Philip Hammond committed £98m of Government funding to create a third river crossing in Great Yarmouth.

Together with King's Lynn and West Norfolk Borough Council, the County Council is looking to create a new stretch of road that would re-route the A10 to connect to the A47 east of West Winch. This will enable significant planned housing growth as well as routing traffic out of the village.

In addition, a number of pedestrian and cycling improvements have been made in Norwich during the year, and in September 2017 the Environment, Development and Transport Committee agreed to carry out a series of studies looking at short, medium and long-term transport impacts of growth in Norfolk's market towns to help the Council identify and plan interventions ahead of growth.

Economy

In 2017-18 Norfolk County Council supported prestigious international genome conferences in Norwich, a new Business & Intellectual Property (IP) Centre launched at Norfolk and Norwich Millennium Library where entrepreneurs and small businesses can find free IP and business information, and a successful bid to the European Social Fund resulted in the launch of a new Local Investment in Future Talent programme.

Funding allocated to rural businesses in Norfolk and north Suffolk through the LEADER programme - an initiative managed by the Council - passed the £3m mark in December. Since the local programme started, the five Local Action Groups have awarded millions to 69 rural projects. The county's rural economy was also boosted in November with the launch of Strong Roots: New Growth - Norfolk Rural Strategy 2017-2020. This built on the Norfolk Rural Development Strategy published in 2013, responding to changes such as the UK voting to leave the EU, the introduction of the National Living Wage and rapid advances in technology.

More than 1,000 acres of Norfolk County Council's 16,738-acre County Farms portfolio was made available for tenancy in January, including additional farmland purchased in September.

County Council-owned Scottow Enterprise Park (SEP) was selected as a shortlisted finalist in the Best Service Delivery Model category in the 2018 Local Government Chronicle Awards. The former RAF Coltishall site had been inactive for several years before the Council bought it in 2012. It is now an active enterprise park that supports local jobs and businesses with 92% tenancy occupancy.

A wholly owned property company, Repton Property Developments Ltd, has been set up to help realise the potential for the Council to generate income from its properties. The Council continues to sell surplus property to generate capital receipts and reduce running costs.

Children and families

In July for the first time, Norfolk reached or exceeded the national average for the proportion of good and outstanding schools, with 90% of Norfolk's schools now judged as good or better by Ofsted.

The most recent Ofsted report into Children's Services was published in January 2018, lifting the Council out of intervention, praising the Council's adoption service and highlighting significant improvements in support to children in our care. Overall, the service requires improvement but inspectors highlighted some strong social work practice, innovation in recruiting staff and 'steady progress' in support for care leavers.

Children in care deserve the same chances as everyone else and, as their corporate parent, the County Council needs to do all it can to support them. Early indications suggest that there were significant improvements in last year's exam and assessment results for looked after children. More specifically, no looked after children were permanently excluded from school last year, compared with six the previous year. The Council's assisted boarding scheme, which places children at risk of coming into care in boarding school places, received national recognition this year.

The Council launched the Raising Learners campaign in summer 2017 to help raise children's numeracy and literacy levels. Raising Learners provided simple and fun activities to reinforce these skills over the summer break.

A new £1.1m sixth form college opened at Sidestrand Hall in June, and two significant projects in Attleborough have been complete including the £14.25m Chapel Green Complex Needs School. More than £40m of school building programmes are under way across Norfolk, creating new and extended schools for hundreds of the county's children.

Adult social care

The Council's award-winning campaign to tackle loneliness in Norfolk "In Good Company" continues to go from strength to strength. With an estimated 43,700 lonely people in the county, the campaign is vital to ensure no one in Norfolk spends a lonely day if they don't want to. Thirty businesses and groups have now got an "In Good Company" quality mark which highlights their strong commitment to combating loneliness.

The Council welcomed £35m one-off Government funding for Adult Social Care over 3 years to help address pressures in the health and social care system. This followed extensive national lobbying by local authorities, including Norfolk. The money has helped the Council recruit 50 social workers, as well as contributing to new preventative activities to reduce and delay the need for formal care and support the safe discharge of people from hospital.

An enhanced Home Support Service, a targeted initiative launched in February 2018, is aimed at reducing delayed discharges from the three acute hospitals, as well as preventing unnecessary admissions.

In November the Council recruited around 80 new care workers countywide, including posts for our new accommodation based reablement initiative to support people from hospital and back to their home, with new facilities opened for people who are medically fit but unable to return to their home safely.

With the county's five Clinical Commissioning Groups, the Council has commissioned a new carer-led service, Carers Matter Norfolk, to support the county's 100,000 unpaid carers.

Caring for your community

The library service has continued to innovate: almost 600 Norfolk residents aged eight and above have been helped to learn to read using a phonics-based reading programme and volunteer coaches; HMP Norwich library won a national CILIP Libraries Change Lives award for innovation and impact; and the service has run a number of digital clubs, and are encouraging the use of libraries as community hubs.

Two home-grown exhibitions at Norwich Castle Museum & Art Gallery pulled in the crowds in the summer and autumn of 2017. Nelson & Norfolk, and Rembrandt: Lightening the Darkness shone a spotlight on extraordinary objects in the Castle collections.

New galleries opened at Cromer Museum in 2017, raising the profile of one of the 20th century's most important photographers, Olive Edis, and the flagship project to transform Norwich Castle's spectacular Norman Keep took huge steps in 2017-18. Successful grant applications have been made, and research undertaken as part of the project fed into a new exhibition "The Square Box on the Hill" which opened in February 2018, taking visitors on a 900-year journey through the different phases in the life of the Castle.

Other notable programmes supporting the community include:

- Domestic abuse – the Council continues to tackle domestic abuse in Norfolk head-on, with a programme to train 'champions' – people in professions who deal with the public and who are taught to spot signs of abuse and offer support.
- Mental health – 2017 saw the launch of a suicide prevention and mental health campaign targeting males, in particular older men. In December, the Council partnered with Norwich Theatre Royal to launch a month-long series of events focusing on men's mental health.
- "Chathealth" - the Council's innovative confidential text messaging service launched in 2016, gives 11-19-year-olds an easy way to talk to school nurses.

Strategic planning for 2018-19

Following commitments made at the time of the election, agreed as part of the Council's strategic planning for 2018-19 and beyond, the Administration has developed a new county vision 'Caring for our County: A Vision for Norfolk in 2021' and a council Strategy 'Norfolk Futures: the Council's Strategy 2018-2021'.

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

- Building communities we can be proud of
- Installing infrastructure first
- Building new homes to help young people get on the housing ladder

- Developing the skills of our people through training and apprenticeships
- Nurturing our growing digital economy
- Making the most of our heritage, culture and environment

The Norfolk Futures priorities are designed to ensure that the Council has intense focus and tangible delivery in specific areas that can only be delivered through whole Council cross department working. The seven priorities are:

- Safer Children and Resilient Families
- Promoting Independence for Vulnerable Adults
- Smarter Information and Advice
- Towards a Housing Strategy
- Digital Norfolk
- Local Service Strategy
- Commercialisation.

Financial highlights

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2017-18 was £358.812m, representing the Council's share of Council Tax receivable during the year. The net budget remained unchanged throughout 2017-18.

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 £0.235m 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	272.524	(3.696)	(1.4%)
Children's Services	180.787	4.538	2.5%
Community and Environmental Services	158.488	(0.080)	(0.1%)
Managing Director's Department	7.794	(0.031)	(0.4%)
Finance and Commercial Services	33.315	(0.108)	(0.3%)
Finance General	(294.096)	(0.858)	0.3%
Totals	**358.812**	**(0.235)**	**(0.1%)**
Transfer to General Fund		**0.235**	

Service overspends and underspends

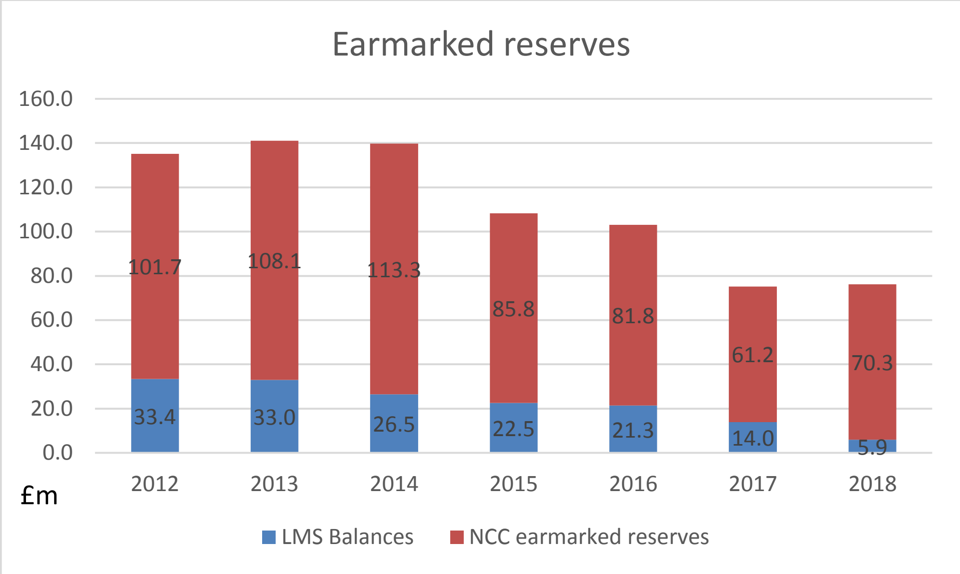
The main area of overspend in 2017-18 has been within Children's Services, balanced largely by an underspend in Adult Social Care.

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. There are also additional costs for accommodating children leaving care, extensive nursing support for children with disabilities (net of health contribution) that were not anticipated when the budget was set.

Net overspends in Children's services were off-set by underspends in Adult Social Services and additional income in Finance General. When setting the Adult Social Care budget, the Council recognised the additional business risks affecting the service, which combined with reductions in salary costs, lower home support costs and increased service user income resulted in an underspend.

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 number of years of reducing reserves, reserves increased during 2017-18. This was despite a significant reduction in school's LMS balances, and reductions in or use of some other reserves including the insurance reserve and the Norwich Schools PFI Sinking Fund. The largest increase are in unspent grants and contributions carried forward, particularly relating to Adult Social Care, and the creation of a general business risk reserve.

General fund

The net outturn underspend for 2017-18 was transferred into the General Fund. During 2017-18 movements on the General Fund balance were as follows.

	£m
General Balances 1 April 2017	**19.301**
Net underspend 2017-18	0.235
General Balances at 31 March 2018	**19.536**

Capital Budget and Spending

Capital expenditure totalled £225.9m in 2017-18: an increase compared to the £205.2m spent in 2016-17. The majority of the increase is accounted for by good progress on the Norwich Northern Distributor Road (now known as the Broadland Northway). Construction started in January 2016, and the road fully opened to traffic in April 2018. Expenditure on school buildings at over £50m has also been higher than previous years, and continues to form a significant part of the programme.

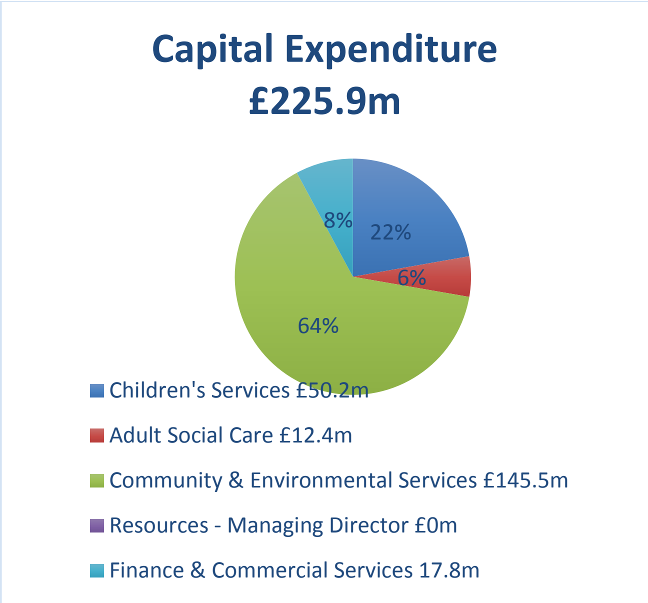
The County Council approved a capital budget in February 2017, with £226.4m related to 2017-18 and £135.5m to later years. Re-profiling from 2016-17 and subsequent funding announcements were added to the programme. After adjusting for items re-profiled into 2018-19, plus further accounting adjustments, the final 2017-18 programme budget and expenditure was £225.9m. The main external sources of finance were government grants, contributions from developers, contributions from other local authorities and the Local Enterprise Partnership. Actual borrowing totalling £20m was undertaken during the year to fund general capital expenditure, with other borrowing requirements met from internal sources during 2017-18.

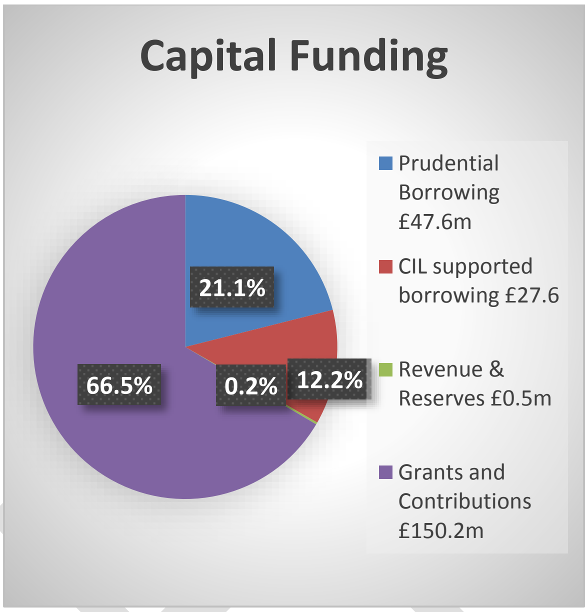
The Council achieved capital receipts totalling £1.3m from the sale of property and loan repayments. A proportion of farms capital receipts are set aside for the purchase of farm land. Capital receipts received in 2017-18 have been used or set aside to enable the Council to directly re-pay maturing debt.

Major projects completed during 2017-18 included:

- Two of the three major sections of the new Norwich Northern Distributor Road, with the road fully open to traffic in April 2018
- Schools: increased and improved permanent accommodation including a complete new school building in Attleborough and extended accommodation at schools throughout the County.

- Highways and bridge maintenance schemes
- Continued rollout of Better Broadband in Norfolk
- The purchase of almost 440 acres of farmland to add to the County's farms estate.





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 2018, the Council's external borrowing totalled £533m including £20m borrowed in 2017-18, and £38.5m borrowed on behalf of the Greater Norwich Growth Board in 2016-17 to support the construction of the Norwich Northern Distributor Road (referred to as "CIL supported borrowing" in the chart above). 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 £1.6bn.

Future capital programme

In order to replace and develop its assets and infrastructure, the Council needs to maintain a significant capital programme.

2018-21 capital programme by service		2018-21 capital programme funding	
	£m		£m
Children's Services	133.2	Prudential Borrowing	164.7
Adult Social Care	20.4	Capital Receipts	-
Community & Environmental Services	242.7	Revenue & Reserves	-
Finance and Commercial Services	75.4	Grants and Contributions	307.0
Total	**471.7**	**Total**	**471.7**

The major on-going capital schemes are for improving the County's schools estate and transport infrastructure.

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

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 £1,201m.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31 March 2018, with the value of assets and liabilities changing on a daily basis. There is a neutral impact on the Council's Comprehensive Income and Expenditure Statement reported for the year as the effect of IAS 19 is reversed through the use of a pensions reserve.

Provisions

At the end of the financial year, the Council's provisions stood at £26.8m compared to £25.7m at the start of the year (excluding £6.5m provisions for bad debts which are set off against receivables in the statement of accounts, but including a £3.1m business rates appeal provision). The increase is due primarily to an increase in the non cash-backed landfill provision.

Outlook for the future

Outlook for the future

Norfolk County Council has set a balanced budget for the year ahead, focusing on protecting vulnerable people and investing in infrastructure that supports our economy and jobs. We face major challenges, with Government grant reducing, demand for services rising and costs increasing. But by prudent budgeting, we have focussed our spending on the priorities outlined in our "Caring for our County" plan.

These include:
• £18.5m of additional spending on children's services, to support the improvements taking place
• An additional £40m for adult social care, to support new ways of working and prevention services
• A capital programme of £471.7m, funded by grants, capital receipts and borrowing, to support major schemes such as completion of the Norwich Northern Distributor Road, school improvements and the Great Yarmouth Third River Crossing

In setting the 2018-19 budget, Norfolk County Council raised council tax by 5.99%, incorporating a 3.00% rise for the social care precept and a 2.99% general increase. This decision enables the council to protect vulnerable people and invest in vital services, and will help to contribute to a robust and sustainable financial position in future years. Overall, the total gross amount spent on adults and children's social care rises significantly by £48m compared to 2017-18.

Although the Council has benefited from four-year funding allocations up to 2019-20, our medium term financial planning is now being undertaken in the face of substantial uncertainty. This is because funding for 2020-21 is not confirmed and subject to three potentially significant changes. Firstly, the Comprehensive Spending Review, which will set the quantum of funding available for local government. Secondly, the Fair Funding Review, which will determine the distribution of funding between individual local authorities based on their relative needs and resources. Finally, the implementation of 75% Business Rates Retention, which will establish the mechanism for the provision of funding to councils. All three of these are expected to be completed in late 2019, representing a major ambiguity for our budget setting process.

In this context, our budget planning continues to anticipate that Revenue Support Grant will cease completely after 2019-20. As a result, the overall financial outlook includes a forecast deficit of £95m between 2019-22 which will need to be addressed in future year budget setting. These are in addition to the significant planned savings of £79m over the period 2018-19 to 2021-22.

Additional funding via the Adult Social Care Support Grant and the Rural Services Delivery Grant, although welcome, are not recurring and therefore do not contribute to solving long-term funding issues. The ability to raise the Adult Social Care precept has raised additional funding, but this has increased the burden on local council tax payers.

Budget planning for 2019-20 and beyond contains a number of risks and uncertainties in key areas:

- Adults:

Norfolk has an ageing population. It is expected that around 25% of the population will be aged 65 and over by 2022, with a 40% increase in the 85+ population. This reflects both national trends as people live longer but also the internal migration of older people who choose to retire in Norfolk. The average annual gross pay in Norfolk is around £25,458 and Norfolk's pay gap has widened compared with regional and national pay levels. In addition 70,400 of Norfolk residents live in areas which have been classified as being among the 10% most deprived in England. This places high demand on local authority provided social care.

- Improved Better Care Fund (iBCF):

The Council has developed a three year plan with our partners to promote a sustainable approach and take into account both the one-off and recurrent nature of the funding. The plan was in place by the end of July – so the key innovations agreed to manage discharge from hospital have only been implemented part way through the winter period – but will support the ongoing pressures and winter planning for 2018. Impact of funding is too early to evaluate.

- Children's:

The Council faces growing pressure within Looked After Children numbers, although it remains a top priority to reduce the numbers of children in our care.

- As highlighted in the recent National Audit Office report, social care pressures will restrict the ability to support other services:

In 2018-19 £410m (40%) of the Council's gross budget £1.016bn (excluding schools) will be spent on adult social care. Over 50% of the council's growth pressures are driven by adult social care. Demographic growth alone increases the Council's costs by £6m a year. The ability to deliver a sustainable social care service affects all services that the council provides and the continuation of some services for local people.

- Reserves:

The Council holds adequate reserves for the level of risk which it faces, however a continued reliance on reserves is neither a sustainable or prudent strategy.

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 2017-18.

Trade Union facility time

Norfolk County Council supports the principle of collective bargaining and believes that industrial relations matters are best resolved by discussion and agreement. In this context, the Council recognises the value of trade union membership for employees.

In accordance with the Supporting Guidance for the Trade Union (Facility Time Publication Requirements) Regulations 2017, the Council publishes information relating to Trade Union Facility Time on its web site at https://www.norfolk.gov.uk/what-we-do-and-how-we-work/open-data-fois-and-data-protection/open-data/trade-union-facility-time).

Explanation of the financial statements

These financial statements for 2017-18 are set out in accordance with the **Code of Practice on Local Authority Accounting in the United Kingdom 2017-18: 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.

Since 2016-17, local authorities have no longer been required to report the cost of individual services in this statement in accordance with Service Reporting Code of Practice, as was 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 the Council's Policy and Resources Committee.

- 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 2017-18 and its financial position at 31 March 2018.

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 2017-18.

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

- With turnover of almost £280m, 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 113 to 167. 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 2DH.

Further information relating to this report can be found in the financial statements which follow, in Norfolk County Council's Budget Book 2018-22 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 2017-18 at https://www.norfolk.gov.uk/what-we-do-and-how-we-work/councillors-meetings-decisions-and-elections/leader-of-the-council-and-committee-chairs.

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 2018 and its income and expenditure for the year ended 31 March 2018.

Simon George
Executive Director of Finance and Commercial Services
Date: 31 July 2018

I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 31 July and has been re-signed as authorisation to issue.

Cllr Ian Mackie
Chairman of Norfolk County Council Audit committee
Date: 31 July 2018

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

	2016-17 Gross Expenditure restated £000s	2016-17 Gross Income restated £000s	2016-17 Net Expenditure restated £000s	2017-18 Gross Expenditure £000s	2017-18 Gross Income £000s	2017-18 Net Expenditure £000s
Continuing Services:						
Adult Social Services	381,128	110,827	270,301	400,233	120,047	280,186
Children's Services	591,744	396,026	195,718	577,271	358,131	219,140
Community and Environmental Services	268,684	103,011	165,673	273,304	102,697	170,607
Managing Director's Department	17,358	6,531	10,827	19,312	7,581	11,731
Finance and Commercial Services	80,909	15,318	65,591	54,079	16,299	37,780
Finance General	13,960	9,350	4,610	16,182	9,325	6,857
Non Distributed Costs	(5,550)	0	(5,550)	(11,174)	0	(11,174)
Cost of Services	**1,348,233**	**641,063**	**707,170**	**1,329,207**	**614,080**	**715,127**
Other Operating Expenditure (Note 11)			112,661			109,296
Financing and Investment Income and Expenditure (Note 12)			60,466			59,355
Taxation and Non-Specific Grant Income (Note 13)			(804,974)			(765,288)
(Surplus) / Deficit on Provision of Services			**75,323**			**118,490**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(74,462)			(31,113)
Re-measurements of the net defined benefit liability			291,090			(67,442)
Other Comprehensive Income and Expenditure			**216,628**			**(98,555)**
Total Comprehensive Income and Expenditure			**291,951**			**19,935**

As stated in the Narrative Report on page 3, the Council has made a number of changes to the service structure including changes to Community and Environmental Services, and re-defining the services in Resources and Finance and Property which are now replaced by the Managing Director's Department and Finance and Commercial Services. The comparative figures for 2016-17 have been restated in line with the new service structures.

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 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)**
Movement in Reserves during 2017-18						
Total Comprehensive Expenditure and Income	(118,490)	0	0	(118,490)	98,555	(19,935)
Adjustments between accounting basis & funding basis under regulations (note 9)	119,697	(4,204)	(40,606)	74,887	(74,887)	0
Increase / (Decrease) in Year	**1,207**	**(4,204)**	**(40,606)**	**(43,603)**	**23,668**	**(19,935)**
Balance at 31 March 2018	**95,695**	**505**	**77,376**	**173,576**	**(223,909)**	**(50,333)**

* 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 2017 £000s	31 March 2018 £000s
Property, Plant & Equipment	14	1,580,457	1,626,391
Heritage Assets	15	5,778	6,704
Investment Property	16	21,884	21,529
Intangible Assets		296	1,684
Long Term Investments	17	13,202	13,202
Long Term Debtors	18	66,960	70,141
Long Term Assets		**1,688,577**	**1,739,651**
Short Term Investments	17	104,632	72,000
Inventories		543	584
Short Term Debtors	18	114,156	119,225
Cash and Cash Equivalents	19	51,331	14,391
Assets Held for Sale	20	1,183	3,555
Current Assets		**271,845**	**209,755**
Short Term Borrowing	17	(14,197)	(14,226)
Other Short Term Liabilities	17	(1,783)	(1,893)
Short Term Creditors	21	(158,840)	(160,270)
Provisions	22	(6,250)	(5,997)
Current Liabilities		**(181,070)**	**(182,386)**
Provisions	22	(19,423)	(20,835)
Long Term Borrowing	17	(515,681)	(527,740)
Other Long Term Liabilities	17	(1,247,998)	(1,238,325)
Capital Grants Receipts in Advance	23	(26,648)	(30,453)
Long Term Liabilities		**(1,809,750)**	**(1,817,353)**
Net Assets		**(30,398)**	**(50,333)**
Usable Reserves	24	217,179	173,576
Unusable Reserves	25	(247,577)	(223,909)
Total Reserves		**(30,398)**	**(50,333)**

Cash Flow Statement

	31 March 2017 £000s	31 March 2018 £000s
Net (surplus) or deficit on the provision of services	**75,323**	**118,490**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(231,149)	(238,888)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	165,645	106,637
Net cash flows from Operating Activities (note i)	9,819	(13,761)
Investing Activities (note ii)	21,382	61,023
Financing Activities (note iii)	(31,234)	(10,322)
Net (increase) or decrease in cash and cash equivalents	**(33)**	**36,940**
Cash and cash equivalents at the start of the year	**51,298**	**51,331**
Cash and cash equivalents at the end of the year (note 19)	**51,331**	**14,391**

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:

	2016-17 £000s	2017-18 £000s
Depreciation	(55,208)	(52,129)
Impairment and downward valuations	(23,647)	(14,372)
(Increase)/decrease in creditors	(8,683)	106
Increase/(decrease) in debtors	1,028	(2,307)
Movement in Pension Liability	(30,290)	(59,662)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(114,237)	(109,170)
Other non-cash items charged to the net surplus or deficit on the provision of services	(112)	(1,354)
	(231,149)	**(238,888)**

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

	2016-17 £000s	2017-18 £000s
Interest received	(2,210)	(2,947)
Interest paid	32,026	32,113
Dividends received	(762)	(1,247)

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

	2016-17 £000s	2017-18 £000s
Capital grants credited to the deficit on the provision of services	184,043	137,200
Proceeds from the sale of property, plant and equipment	3,153	1,563
Proceeds from short term investments (not considered to be cash equivalents) and long term investments	(21,551)	(32,126)
	165,645	**106,637**

ii. Investing Activities

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

	2016-17 £000s	2017-18 £000s
Purchase of property, plant and equipment, investment property and intangible assets	157,297	193,421
Purchase of short term and long term investments	0	0
Other payments for investing activities	49,372	6,416
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,225)	(1,623)
Other receipts from investing activities	(182,062)	(137,191)
Net cash flows from investing activities	**21,382**	**61,023**

iii. Financing Activities

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

	2016-17 £000s	2017-18 £000s
Cash receipts of short term and long term borrowing	(40,000)	(20,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,295	1,783
Repayments of short term and long term borrowing	6,471	7,895
Net cash flows from financing activities	**(31,234)**	**(10,322)**

Notes to the Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017-18 financial year and its position at the year end of 31 March 2018. 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 2017-18 (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.

<u>Available for Sale Assets</u>

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).

<u>Instruments entered into before 1 April 2006</u>

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.

<u>Instruments entered into before 8 November 2007</u>

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.

<u>Financial Liabilities</u>

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.

<u>Operating Leases</u>

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

<u>Finance Leases</u>

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.

<u>Operating Leases</u>

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

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.

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

	2016-17		
	Net Expenditure chargeable to the General Fund restated	**Adjustments between the Funding and Accounting Basis restated**	**Net Expenditure in the Comprehensive Income and Expenditure Statement restated**
	£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	125,305	40,368	165,673
Managing Director's Department	8,957	1,870	10,827
Finance and Commercial Services	27,557	38,034	65,591
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**		

* 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

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

	2016-17			
	Adjustments for Capital Purposes restated (Note 1) £000s	**Net change for the pensions adjustments restated (Note 2) £000s**	**Other Differences restated (Note 3) £000s**	**Total Adjustments restated £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	4,926	6,630	40,368
Managing Director's Department	35	1,103	732	1,870
Finance and Commercial Services	36,377	1,659	(2)	38,034
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**

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

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:

	2016-17 restated £000s	**2017-18 £000s**
Adult Social Services	62,489	67,422
Children's Services	34,209	31,313
Community and Environmental Services	21,410	23,199
Managing Director's Department	4,221	6,378
Finance and Commercial Services	7,283	7,322
Finance General	637	729
Total income analysed on a segmental basis	**130,249**	**136,363**

3. Expenditure and Income analysed by Nature

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

	2016-17 £000s	**2017-18 £000s**
Expenditure		
Employee benefits expenses	482,870	475,425
Other Services expenses	801,971	800,775
Support Service recharges	49,165	46,249
Depreciation, amortisation, impairment	80,789	66,775
Interest payments	62,749	63,525
Precepts and levies	1,312	1,349
Gain/loss on disposal of assets	111,349	107,947
Total Expenditure	**1,590,205**	**1,562,045**
Income		
Fees, charges and other service income	(205,700)	(220,934)
Interest and investment income	(2,440)	(2,441)
Income from council tax and business rates	(478,980)	(504,928)
Government Grants and contributions	(827,762)	(715,252)
Total Income	**(1,514,882)**	**(1,443,555)**
Surplus or Deficit on the Provision of Services	**75,323**	**118,490**

4. Accounting Standards issued, not adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (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.

IFRS 9 Financial Instruments has been implemented in the 2018-19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.
The impact of these changes on the Authority's financial position can be summarised as follows:

- The Authority currently holds shares in subsidiary companies which forms part of its business model. Under the IFRS 9 changes these shares will be elected to be categorised as Fair Value through Comprehensive Income which, subject to any impairment, will be held at cost with fuller details of the company shown in the Group Accounts.

- The expected credit loss implications for those financial assets not treated as Fair Value are expected to be minimal for the majority of the treasury investments as the Authority adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice. In addition to the day to day treasury investments the Authority also has outstanding loan agreements with a number of subsidiary companies and third parties. Assessment of the Council's financial assets shows no indication of credit impairment or default on these loans.

IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams which will be accounted for differently under the new standard. Norse Group expects IFRS 15 to have a significant effect on its financial statements, but this will not have a material impact on the Council's group accounts.

IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years. Given the current extent of disclosure, no changes are anticipated.

IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, in particular deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies consolidated in the Group Accounts has such debt instruments.

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 £41.8m) 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 2017-18, 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 £2.4m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £268.889m. However, the assumptions interact in complex ways. During 2017-18, the Council's actuaries advised that the net pension liability had decreased by £67.442m.
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).	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.

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.

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 2017-18, 42 schools transferred to Academy, Voluntary Aided and Foundation status and one newly constructed school building was occupied by a Trust school. The assets relating to these schools have been removed from the Council's balance sheet. The value written off amounts to £107.561m 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 31 July 2018. 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 2018, 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 2018 and 31 July 2018 8 schools, (listed below), with a net book value of £26.686m converted to academy status.

Angel Road Infant school	Diss Church CEVC school
Angel Road Primary	Framingham Earl High School
Dickleburgh CofE VC Primary school	Ghost Hill Infant and Nursery school
Raleigh Infant School and Nursery	West Norfolk Development Centre

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 2018-19 and will be treated as a disposal at nil consideration in the 2018-19 consolidated Income and Expenditure Statement.

UK relationship with the EU

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

The Council's Investment Strategy for 2018-19, approved by full Council at its meeting on 12 February 2018 builds on the cautious approach of recent years which seeks to protect the Council's principal at the potential expense of yield income. The risks of impairment to the authority's current investments are outlined in Note 41, and the current strategy will be under constant review.

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

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.

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

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**

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 2017 or 31 March 2018. Descriptions of each of these earmarked reserves follow the table.

	Balance at 31 March 2016	Transfers in 2016-17	Transfers out 2016-17	Balance at 31 March 2017	Transfers in 2017-18	Transfers out 2017-18	Balance at 31 March 2018
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LMS Balances	21,334	18,400	(25,780)	13,954	20,124	(28,201)	5,877
Adult Social Care Residential Review	0	0	0	0	809	0	809
Building Maintenance	3,547	2,301	(617)	5,231	647	(1,702)	4,176

	Balance at 31 March 2016	Transfers in 2016-17	Transfers out 2016-17	Balance at 31 March 2017	Transfers in 2017-18	Transfers out 2017-18	Balance at 31 March 2018
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business Risk Reserve (ASC)	10,678	4,911	(10,678)	4,911	4,500	(4,911)	4,500
Business Risk Reserve (General)	0	0	0	0	3,671	0	3,671
Economic Development and Tourism	2,827	348	(622)	2,553	560	(1,121)	1,992
Highways Maintenance	5,871	1,004	(1,355)	5,520	2,569	(2,293)	5,796
Information Technology	5,856	436	(2,338)	3,954	602	(1,444)	3,112
Insurance Reserve	3,083	2,853	(2,556)	3,380	468	(3,061)	787
Norfolk Infrastructure Fund	1,104	885	(278)	1,711	885	(2,596)	0
Norwich Schools PFI Sinking Fund	2,349	69	0	2,418	0	(2,418)	0
Organisational Change and Redundancy Reserve	6,844	411	(1,306)	5,949	1,633	(2,587)	4,995
Prevention Fund	323	275	(122)	476	629	(393)	712
Repairs and Renewals Fund	3,450	1,226	(639)	4,037	842	(1,841)	3,038
Schools Non-Teaching Activities	933	810	(1,010)	733	1,024	(1,027)	730
Strategic Ambitions Reserve	971	2	(378)	595	0	(7)	588
Street Lighting PFI Sinking Fund	6,945	3,231	(4,854)	5,322	3,085	(3,355)	5,052
Unspent Grants and Contributions	14,520	3,913	(8,069)	10,364	20,512	(4,201)	26,675
Waste Management Partnership	1,058	0	(108)	950	0	(81)	869
Other earmarked reserves	11,415	1,029	(9,315)	3,129	743	(1,092)	2,780
TOTAL	**103,108**	**42,104**	**(70,025)**	**75,187**	**63,303**	**(62,331)**	**76,159**

Details of earmarked reserves:

LMS Balances

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

Adult Social Care Residential Review)

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

Building Maintenance

This reserve is to ensure that the capital value of the Council's building stock is maintained and facilitates the rolling programme of building maintenance. It also allows 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.

Business Risk Reserve (ASC)

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

Business Risk Reserve (General)

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

Economic Development and Tourism

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

Highways Maintenance

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

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.

Prevention Fund

This reserve is to support future investment in prevention.

Repairs and Renewals Fund

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

Schools Non-Teaching Activities

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

Strategic Ambitions Reserve

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

Street Lighting PFI Sinking Fund

This reserve 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 2018-19 or future years as initiatives are completed. All balances on each of these reserves as at 31 March 2017 and 31 March 2018 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:

	2016-17 £000s	2017-18 £000s
Environment Agency precept	776	813
Eastern Sea Fisheries precept	536	536
(Gains)/losses on disposal of non current assets	111,349	107,947
Total	**112,661**	**109,296**

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:

	2016-17 £000s	2017-18 £000s
Interest payable and similar charges	32,086	32,096
Net interest cost on the net defined benefit liability	30,608	31,373
Interest receivable and similar income	(2,440)	(2,441)
Income and expenditure in relation to investment properties and / or changes in their fair value (note 16)	1,368	(469)
Dividend Income	(762)	(1,247)
(Gains)/Losses on trading accounts not included in the cost of services (note 26)	(394)	43
Total	**60,466**	**59,355**

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:

	2016-17 £000s	2017-18 £000s
Council tax income	336,917	359,749
Non domestic rates	142,063	145,180
Non ring fenced government grants	141,950	135,224
Capital grants, contributions and donated assets	184,044	125,135
Total	**804,974**	**765,288**

14. Property, Plant and Equipment

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

Movements in 2016-17 on Council assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s Restated	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

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 £52.129m (£55.208m in 2016-17).

Capital commitments

The Council's forward capital programme as at 31 March 2018 totals £471.7m for the years 2018-19 to 2020-21 and beyond. Of this total £234.4m relates to the estimated future payments on schemes started before 31 March 2018, with the total of new schemes totalling £237.4m.

In comparison, the revised programme in 2016-17 totalled £384.3m for the years 2017-18 to 2019-20 and beyond. Of this total, £323.1m related to the estimated future payments on schemes started before 31 March 2017.

At 31 March 2018, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2018-19 and future years on schemes listed in the table below. Similar commitments at 31 March 2017 were £63.7m.

The major commitments are:

Service/Scheme	**Contract Completion**	**£000s**
Children's Services schools projects		
Fen Rivers Academy	2018-19	1,220
Costessey Infant/Junior	2018-19	3,572
Roydon Primary School	2018-19	5,203
Social Care		
Social Care information system implementation	2018-19	3,876
Finance and Commercial Services		
Technology improvements (incl devices refresh)	2020-21	12,990
Information Management new portal structure/GRID	2020-21	1,665
Better Broadband for Norfolk	2020-21	21,256
		49,782

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 2018-21 at 31 March 2018 was £194.0m, including £5.9m in respect of the Northern Distributor Road/Broadland Northway which opened fully to traffic in April 2018.

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		24,617	870,632	13	
Valued at current value in:					
2017-18	335,097				5,394
2016-17	234,639				1,702
2015-16	28,019				4,682
2014-15	24,140				
2013-14	29,791				
Total	**651,686**	**24,617**	**870,632**	**13**	**11,778**

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 2018 assets valued at £8.580m 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	4,903
Transfers into Level 3	1,918
Revaluation gains / (losses) - revaluation reserve	(1,179)
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	140
Additions	2,798
Closing Balance	**8,580**

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 2017-18, 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 2017	5,144	634	5,778
Revaluations	926	0	926
At 31 March 2018	**6,070**	**634**	**6,704**

	£000s	£000s	£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**

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 Property, Plant and Equipment.

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:

	2016-17 £000s	2017-18 £000s
Rental income from investment property	(464)	(507)
Direct operating expenses arising from investment property	0	0
(Gains)/Losses on changes in fair value	1,832	38
Net (gain)/loss	**1,368**	**(469)**

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:

	2016-17 £000s	2017-18 £000s
Balance at the start of the year	**23,705**	**21,884**
Additions	0	0
Disposals	0	(317)
Net gains/(losses) from fair value investments	(1,832)	(38)
Other changes	11	
Balance at the end of the year	**21,884**	**21,529**

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 2018
	£000s	£000s	£000s
Industrial estate	1,961	9,478	11,439
Agricultural land with development potential	0	10,090	10,090
	1,961	**19,568**	**21,529**

Of the net gains/(losses) from fair value investments in 2017-18, (£0.026m) relates to fair value measurements categorised within Level 3 of the fair value hierarchy (£1.146m in 2016-17).

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

	Industrial estate £000s	Agricultural land with development potential £000s	Total 2018 £000s
Opening balance	9,821	10,095	19,916
Transfers into Level 3 from level 2			
Total gains/(losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(26)	(5)	(31)
Disposals	(317)	0	(317)
Closing Balance	**9,478**	**10,090**	**19,568**

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 2017 £000s	**31 March 2018 £000s**	**31 March 2017 £000s**	**31 March 2018 £000s**
Investments:				
Loans and receivables	0	0	104,632	72,000
Available for sale financial assets	1,238	1,238	0	0
Total included in Investments	**1,238**	**1,238**	**104,632**	**72,000**
Debtors:				
Financial assets carried at contract amounts (excludes statutory debtors)	65,594	68,513	68,310	74,622
Soft Loans	1,366	1,628	324	414
Total included in Debtors	**66,960**	**70,141**	**68,634**	**75,036**
Cash and cash equivalents:				
Cash and cash equivalents	0	0	51,331	14,391
Total included in Cash and cash equivalents	**0**	**0**	**51,331**	**14,391**
Borrowings:				
Financial liabilities at amortised cost	515,681	527,740	14,197	14,226
Total included in Borrowings	**515,681**	**527,740**	**14,197**	**14,226**
Other Short/Long Term Liabilities:				
PFI liabilities	53,349	52,265	853	1,084
Finance lease liabilities	2,223	1,414	930	809
Total included in Other Short/Long Term Liabilities	**55,572**	**53,679**	**1,783**	**1,893**
Creditors:				
Financial assets carried at contract amounts (excludes statutory creditors)	0	0	123,562	115,792
Total included in Creditors	**0**	**0**	**123,562**	**115,792**

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 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 86 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

	2016-17 Financial Liabilities measured at amortised cost £000s	2016-17 Financial Assets: Fair value through the I&E £000s	2016-17 Total £000s	2017-18 Financial Liabilities measured at amortised cost £000s	2017-18 Financial Assets: Fair value through the I&E £000s	2017-18 Total £000s
Interest expense	32,141	0	32,141	32,151	0	32,151
Discount received on debt restructuring	0	(55)	(55)	0	(55)	(55)
Total expense in Surplus/Deficit on the Provision of Services	32,141	(55)	32,086	32,151	(55)	32,096
Interest Income	0	(2,440)	(2,440)	0	(2,441)	(2,441)
Total income in Surplus/Deficit on the Provision of Services	0	(2,440)	(2,440)	0	(2,441)	(2,441)
Net gain/(loss) for the year	**32,141**	**(2,495)**	**29,646**	**32,151**	**(2,496)**	**29,655**

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 2017 Carrying amount £000s	31 March 2017 Fair value restated £000s	31 March 2018 Carrying amount £000s	31 March 2018 Fair value £000s
PWLB debt	484,514	788,044	496,740	790,438
Non PWLB debt	45,364	72,295	45,226	71,612
PFI and finance lease liabilities	57,355	104,378	55,572	98,720
Short term creditors	123,562	123,562	115,792	115,792
Total	**710,795**	**1,088,279**	**713,330**	**1,076,562**

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 £790.438m 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.

The fair value of PFI and finance lease liabilities at 31 March 2017 has been restated to exclude accrued interest so that it is consistent with the calculation and reporting of fair value at 31 March 2018.

Financial Assets	**31 March 2017**		**31 March 2018**	
Loans and receivables:	**Carrying amount £000s**	**Fair value £000s**	**Carrying amount £000s**	**Fair value £000s**
Investments	104,632	104,632	72,000	72,000
Available for sale - Norwich Airport shares	1,238	1,238	1,238	1,238
Cash and cash equivalents	51,331	51,331	14,391	14,391
Long term debtors	66,960	66,960	70,141	70,141
Short term debtors	68,637	68,637	75,036	75,036
Total	**292,798**	**292,798**	**232,806**	**232,806**

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 2017 £000s	**31 March 2018 £000s**	**31 March 2017 £000s**	**31 March 2018 £000s**
Central Government bodies	0	0	9,916	10,895
Public Corporations	0	0	42	0
Other local authorities	0	0	26,427	29,745
NHS bodies	0	0	13,370	14,570
Prepayments	0	0	15,101	13,444
Trade debtors, other entities and individuals	66,960	70,141	49,300	50,571
	66,960	**70,141**	**114,156**	**119,225**

19. Cash and Cash Equivalents

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

	31 March 2017 £000s	**31 March 2018 £000s**
Cash and Bank balances	(6,952)	(8,488)
Short term deposits with the Money Market	58,283	22,879
	51,331	**14,391**

20. Assets Held for Sale

Current Assets	2016-17 £000s	2017-18 £000s
Balance outstanding at start of year	**1,110**	**1,183**
Assets newly classified as held for sale:		
Property plant and equipment	0	3,353
Assets declassified as held for sale:		
Property plant and equipment	2,575	0
Assets sold	(2,501)	(977)
Other Movements	(1)	(4)
Balance outstanding at year end	**1,183**	**3,555**

Fair value hierarchy

Of the Council's assets held for sale at 31 March 2018 one asset, valued at £0.200m, has been assessed as Level 3 for valuation purposes. All other assets held for sale, and all those held at 31 March 2018 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 2017 £000s	31 March 2018 £000s
Central Government bodies	12,828	13,376
Other local authorities	14,188	16,343
NHS bodies	3,114	6,389
Public Corporations and Trading Funds	42	0
Receipts in advance	2,644	2,805
Trade creditors, service providers, other entities and individuals	126,024	121,357
	158,840	**160,270**

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	Landfill Provision	Redundancy	Other Provisions	Total
	£000s	£000s	£000s	£000s	£000s
Balance at the start of the year	10,665	11,073	151	3,784	25,673
Additional provisions made in 2017-18	4,040	1,284	289	760	6,373
Amounts used in 2017-18	(3,710)	0	(151)	(1,353)	(5,214)
Amounts reversed to revenue	0	0	0	0	0
Balance at the end of the year	**10,995**	**12,357**	**289**	**3,191**	**26,832**
Consists of:					
Current Provisions	2,532	0	289	3,176	5,997
Long Term Provisions	8,463	12,357	0	15	20,835
Total	**10,995**	**12,357**	**289**	**3,191**	**26,832**

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.

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 2017-18. The table shows details of grants credited to Services where the balance is in excess of £200,000 in both 2016-17and 2017-18.

	2016-17 £000s	2017-18 £000s
Credited to Taxation and non Specific Grant Income:		
General Government Grants:		
Department for Communities and Local Government	132,729	125,927
Department for Education	4,839	4,839
Department for Transport	3,066	3,066
Department of Health	933	1,238
Home Office	383	154
Total General Government Grants	**141,950**	**135,224**
Capital Grants and Contributions:		
Department for Education	31,133	29,653
Department for Transport	81,366	64,669
Other Local Authorities	48,259	7,226
New Anglia Local Enterprise Partnership	14,312	13,464
Developer Contributions	6,563	9,302
Department of Health	596	0
Grants and Contributions less than £200,000	1,815	821
Total Capital Grants and Contributions	**184,044**	**125,135**
Credited to Services:		
Adult Social Services:		
NHS Clinical Commissioning Groups	38,658	44,204
Department for Communities and Local Government	0	604
Home Office	0	395
Other Local Authorities	813	398
NHS Foundation Trusts	802	362
Community Healthcare CIC	0	296
Children's Services:		
Department for Education	369,257	332,461

Young Person Learning Agency	4,371	3,508
Department for Communities and Local Government	2,501	2,227
Grants & Contributions raised directly by schools	1,728	1,143
Arts Council /Federation of Music Services	1,079	1,070
NHS Primary Care Trusts/Clinical Commissioning Groups	651	1,535
Home Office	0	631
Other Local Authorities	239	236
Community and Environmental Services:		
Department of Health (Public Health)	41,106	40,093
Department for Media, Culture & Sport	5,475	5,183
Skills Funding Agency	3,989	4,124
Department for Transport	3,267	2,567
NHS England (Public Health)	2,343	2,343
Arts Council	1,833	2,075
Department of Business, Innovation and Skills	1,547	289
EU Funding	1,471	1,532
Developer Contributions	1,200	2,030
Sport England Lottery	958	728
Other Local Authorities	411	0
Rural Payments Agency	206	0
Norfolk Parking Partnership	200	0
Department for Environment, Food and Rural Affairs	0	255
Heritage Lottery Fund	0	176
Managing Director's Department:		
Other Local Authorities	0	328
Grants and Contributions less than £200,000	3,258	3,919
Total Grants and Contributions recognised in net Cost of Services	**487,363**	**454,712**

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:

	2016-17 £000s	2017-18 £000s
Included in Current Liabilities:		
Conditional Revenue Grants & Contributions:		
Department for Education	1,131	738
Department for Communities and Local Government	15	0
Department for Transport	589	146
Department for Media, Culture and Sport	701	304
NHS Clinical Commissioning Groups	202	52
Skills Funding Agency	458	237
Education funding Agency	0	69
Other Revenue Grants & Contributions	68	199
Total Conditional Revenue Grants & Contributions	**3,164**	**1,745**
Included in Long Term Liabilities:		
Capital Grants Receipts in Advance:		
Developer Contributions	19,424	19,439
Department for Education	3,295	2,528
New Anglia Local Enterprise Partnership	2,313	5,667
Contributions from Diocese	911	57
Other Local Authorities	455	2,237
Department for Transport	160	120
School Contributions	0	163
Other smaller Capital Grants & Contributions	90	242
Total Capital Grants Receipts in Advance	**26,648**	**30,453**

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement with additional detail given in notes 9 and 10.

The General Fund Balance comprises:

	31 March 2017 £000s	31 March 2018 £000s
General Fund Reserve (Narrative Report on page 7)	19,301	19,536
Earmarked Reserves (Note 10 on page 44)	75,187	76,159
Total	**94,488**	**95,695**

25. Unusable Reserves

	31 March 2017 £000s	31 March 2018 £000s
Revaluation Reserve	229,814	231,688
Capital Adjustment Account	720,624	733,863
Financial Instruments Adjustment Account	(2,768)	(2,786)
Collection Fund Adjustment Account	7,334	8,019
Pensions Reserve	(1,192,426)	(1,184,646)
Accumulated Absences Account	(10,155)	(10,047)
	(247,577)	**(223,909)**

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.

	2016-17 £000s	2017-18 £000s
Balance at 1 April	**197,036**	**229,814**
Upward revaluation of assets	96,664	47,039
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(25,454)	(15,928)
Surplus or (deficit) on revaluation of non current assets not posted to the Comprehensive Income and Expenditure Statement	71,210	31,111
Difference between fair value depreciation and historical cost depreciation	(6,427)	(6,728)
Accumulated gains on assets sold or scrapped	(32,005)	(22,509)
Amount written off to the Capital Adjustment Account	(38,432)	(29,237)
Balance at 31 March	**229,814**	**231,688**

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.

	2016-17 £000s	2017-18 £000s
Balance at 1 April	**720,549**	**720,624**
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	(91,663)	(67,295)
• Revaluation gains/(losses) on property, plant and equipment	12,808	676
• Movement in the fair value of investment properties	(1,832)	(38)
• Amortisation of intangible assets	(103)	(117)
• Revenue expenditure funded from capital under statute	(27,306)	(25,900)
• 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)	(114,237)	(109,170)
	(222,333)	(201,844)
Adjusting amounts written out of the Revaluation Reserve	38,432	29,237
Net written out amount of the cost of non current assets consumed in the year	(183,901)	(172,607)
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	0	751
• Use of capital receipts to repay the principal of amounts previously borrowed		6,000
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	141,619	105,755
• Application of grants to capital financing from the Capital Grants Unapplied Account	29,074	72,051
• Statutory provision for the financing of capital investment charged against the General Fund	5,839	787
• Capital expenditure charged against the General Fund	4,192	500
	180,724	185,844
Other Adjustments	3,252	2
Balance at 31 March	**720,624**	**733,863**

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 2018 will be charged to the General Fund on a straight line basis until May 2019.

	2016-17 £000s	2017-18 £000s
Balance at 1 April	**(2,760)**	**(2,768)**
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	47	37
Balance at 31 March	**(2,768)**	**(2,786)**

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.

	2016-17 £000s	2017-18 £000s
Balance at 1 April	**8,308**	**7,334**
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	(974)	685
Balance at 31 March	**7,334**	**8,019**

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.

	2016-17 £000s	2017-18 £000s
Balance at 1 April	**(871,046)**	**(1,192,426)**
Remeasurements of the defined benefit liability/(asset)	(291,090)	67,442
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	(91,558)	(121,782)
Employers pensions contributions and direct payments to pensioners payable in the year	61,268	62,120
Balance at 31 March	**(1,192,426)**	**(1,184,646)**

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.

	2016-17 £000s	2017-18 £000s
Balance at 1 April	**(7,191)**	**(10,155)**
Settlement or cancellation of accrual made at the end of the preceding year	7,191	10,155
Amounts accrued at the end of the current year	(10,155)	(10,047)
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	(2,964)	108
Balance at 31 March	**(10,155)**	**(10,047)**

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 2017-18.

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 2017-18 was £5.251m (£4.717m in 2016-17) and the net deficit was £0.043m (surplus of £0.285m in 2016-17).

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 2017-18 was £9.947m (£10.488m in 2016-17) and the net surplus was £0.125m (£0.185m in 2016-17).

27. Agency Services

The County Council administers money on behalf of the Clinical Commissioning Groups (formerly Primary Care Trusts) under Section 28 agreements. For 2017-18 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £12.297m (£12.359m in 2016-17).

28. Joint Arrangements

- Pooled Funds

For 2017-18, 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 2017-18 are nil (nil in 2016-17).

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

	2016-17	2017-18
	£000s	**£000s**
Gross Income	(429)	(389)
Expenditure	342	249
(Surplus)/Deficit	**(87)**	**(140)**
Council's Contribution	20	20

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

- **Better Care Fund**

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

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

For each service included within the Section 75 agreements either the Council or a CCG is solely responsible for delivery. Entries in the County Council's financial system relate to the share of the pool that is controlled by the Council, with notional entries to reflect the share of the pool controlled by the respective CCGs. These notional entries are excluded from the Council's accounts. The table below reflects funding and spend across all of the partners in 2017-18.

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

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

The contributions and expenses of the Pools for 2017-18 are as follows:

2017-18	**Great Yarmouth and Waveney CCG**	**North Norfolk CCG**	**Norwich CCG**	**South Norfolk CCG**	**West Norfolk CCG**	**Norfolk BCF Capital Pool**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Income:							
Great Yarmouth and Waveney CCG	(3,605)						(3,605)
North Norfolk CCG		(4,745)					(4,745)
Norwich CCG			(5,435)				(5,435)

2017-18

	Great Yarmouth and Waveney CCG	North Norfolk CCG	Norwich CCG	South Norfolk CCG	West Norfolk CCG	Norfolk BCF Capital Pool	Total
South Norfolk CCG				(6,007)			(6,007)
West Norfolk CCG					(5,451)		(5,451)
	(3,605)	(4,745)	(5,435)	(6,007)	(5,451)	0	(25,243)
iBCF Grant Income (note 1)	(2,882)	(4,801)	(3,929)	(4,441)	(4,393)		(20,446)
Norfolk County Council	(3,373)	(5,656)	(6,382)	(7,572)	(5,759)		(28,742)
Capital Grants						(6,924)	(6,924)
Total Income	(9,860)	(15,202)	(15,746)	(18,020)	(15,603)	(6,924)	(81,355)
Expenditure							
Great Yarmouth and Waveney CCG	3,605						3,605
North Norfolk CCG		4,745					4,745
Norwich CCG			5,435				5,435
South Norfolk CCG				6,007			6,007
West Norfolk CCG					5,451		5,451
	3,605	4,745	5,435	6,007	5,451		25,243
iBCF Projects expenditure (Note 2)	2,882	4,801	3,929	4,441	4,393		20,446
Norfolk County Council	3,373	5,656	6,382	7,572	5,759	6,924	35,666
Total Expenditure	9,860	15,202	15,746	18,020	15,603	6,924	81,355
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Note 1: This figure reflects the relevant locality share of iBCF grant income paid by MHCLG for projects undertaken by social care on behalf of the Pooled Fund.

Note 2: This total reflects an actual in year spend of £4.776m by the County Council and a carried-forward balance of £15.670m.

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

2016-17	Great Yarmouth and Waveney CCG	North Norfolk CCG	Norwich CCG	South Norfolk CCG	West Norfolk CCG	Norfolk BCF Capital Pool	Total
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**

- 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.

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

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**

- 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.

	2016-17	**2017-18**
	£000s	**£000s**
Balance brought forward	2,423	3,577
Gross Income	2,284	3,117
Expenditure	(1,144)	(3,166)
Interest on daily cash balances	14	15
Balance carried forward	**3,577**	**3,543**

29. Members Allowances

The total amount of members allowances paid in the year was £1.199m (£1.070m in 2016-17).

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

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

Senior Officer Remuneration Table – 2017-18

Position & Postholder		**Salary**	**Expenses Allowances**	**Compensation for loss of office**	**Sub Total**	**Employer Pension contributions**	**Total**
Managing Director: W Thomson		183,600	0	0	**183,600**	28,500	**212,100**
Executive Director of Adult Social Services: J Bullion		133,100	0	0	**133,100**	20,600	**153,700**
Executive Director of Children's Services: S Tough	Note A	63,300	0	0	**63,300**	9,800	**73,100**
Executive Director of Children's Services: M Dunkley	Note A	153,000	0	0	**153,000**	0	**153,000**
Executive Director of Communities and Environment: T McCabe		142,300	0	0	**142,300**	22,100	**164,400**
Executive Director of Finance and Commercial Services: S George	Note B	137,100	0	0	**137,100**	21,300	**158,400**
Chief Fire Officer: D Ashworth		110,900	3,300	0	**114,200**	24,000	**138,200**

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Executive Director of Public Health: L Smith		117,100	0	0	**117,100**	16,800	**133,900**
Chief Legal Officer and Monitoring Officer: V McNeill	Note C	58,500	1,100	0	**59,600**	8,700	**68,300**
Deputy Monitoring Officer: A Choudhury	Note C	8,200	0	0	**8,200**	1,300	**9,500**
Strategy Director: F McDiarmid	Note D	94,700	0	0	**94,700**	14,700	**109,400**

Expense Allowances: The expenses allowances in the table relate to:

D Ashworth: Vehicle at Chief Fire Officer's disposal

V McNeill: Lease Car

Note A: Sara Tough was appointed to the role of Executive Director for Children's Services and joined the Council on Monday 30 October 2017. Matt Dunkley remained for a handover period during Sara's first week with his last day being Friday 3 November 2017. The sums shown against Matt Dunkley represent the fees paid to secure his services and are not salary.

Note B: The Executive Director of Finance and Commercial Services has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Norfolk Pension Fund and holds the role of Fund Administrator. For 2017-18 the remuneration amount incurred by the Fund was £9,000 (£9,000 2016-17). This is included in the remuneration figure shown in the table above.

Note C: Victoria McNeill left the Council's employment in late February 2018 and the recruitment process for her replacement is in progress. The Council's Practice Director of NpLaw, Abdus Choudhury, is also the Council's Deputy Monitoring Officer. He is covering the Monitoring Officer function until the recruitment process is completed. For 2017-18, this was for the month of March and his remuneration for that period is included in the table above.

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

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**

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
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.

(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	**2016-17**			**2017-18**		
	School Staff	**Other Staff**	**Total Employees**	**School Staff**	**Other Staff**	**Total Employees**
£50,000 - £54,999	85	112	197	81	109	190
£55,000 - £59,999	66	78	144	53	64	117
£60,000 - £64,999	31	21	52	35	33	68
£65,000 - £69,999	23	19	42	13	15	28
£70,000 - £74,999	12	9	21	10	18	28
£75,000 - £79,999	5	7	12	6	7	13
£80,000 - £84,999	5	2	7	4	9	13
£85,000 - £89,999	3	4	7	2	3	5
£90,000 - £94,999	2	6	8	3	5	8
£95,000 - £99,999	1	2	3	1	3	4
£100,000 - £104,999	1	3	4	0	2	2
£105,000 - £109,999	0	2	2	0	1	1
£110,000 - £114,999	0	2	2	1	0	1
£115,000 - £119,999	0	0	0	0	0	0
£120,000 - £124,999	0	0	0	0	2	2
£125,000 - £129,999	0	1	1	0	0	0
£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	1	1
£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	1	1	0	0	0

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

Exit Package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
							£000s	£000s
£0 – £20,000	33	43	122	164	155	207	979	1,162
£20,001 - £40,000	8	12	13	22	21	34	614	999
£40,001 - £60,000	0	2	8	5	8	7	421	332
£60,001 - £80,000	0	0	3	6	3	6	212	391
£80,001 - £100,000	1	0	2	3	3	3	283	258
£100,001-£150,000	0	0	0	0	0	0	0	0
Over £150,000	1	0	0	0	1	0	252	0
Total	**43**	**57**	**148**	**200**	**191**	**257**	**2,761**	**3,142**

The Council terminated the contracts of a number of employees in 2017-18, incurring liabilities of £3.142m (£2.761m in 2016-17). The total is payable to 257 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

	2016-17	2017-18
	£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	0	0
Fees payable to external auditors for the certification of grant claims and returns for the year	15	16
Total	**143**	**144**

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:

	2016-17 Total £000s	2016-17 Central Expenditure £000s	2016-17 Individual Schools Budget £000s	2017-18 Total £000s	2017-18 Central Expenditure £000s	2017-18 Individual Schools Budget £000s
Final DSG for the financial year (before Academy recoupment)	(559,752)			(580,741)		
Academy figure recouped	226,420			277,032		
Total DSG (after Academy recoupment)	(333,332)			(303,709)		
Plus: Brought forward from the previous year	(5,547)			2,578		
Less: Carry forward to next financial year agreed in advance	0			0		
Agreed initial budgeted distribution in the year	(338,879)	(30,631)	(308,248)	(301,131)	(29,835)	(271,296)
In year adjustments	0	0	0	0	0	0
Final budget distribution for the year	(338,879)	(30,631)	(308,248)	(301,131)	(29,835)	(271,296)
Less: Actual central expenditure	30,631	30,631	0	37,922	37,922	0
Less: Actual ISB deployed to schools	310,826	0	310,826	271,296	0	271,296
Plus Council contribution for the year	0	0	0	0	0	0
Carry forward to next financial year	**2,578**	**0**	**2,578**	**8,087**	**8,087**	**0**

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:

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of grants received from Government Departments are set out in notes 13 and 23. Grant receipts not yet recognised due to conditions attached to them at 31 March 2018 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 2017-18 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 £1.534m (£1.199m in 2016-17) 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 2016-17) 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 £9.1m of surplus cash deposited with the Council (£8.1m in 2016-17). The Council paid the fund a total for interest of £0.031m on these deposits (£0.031m in 2016-17). The Council charged the fund £0.007m (£0.007m in 2016-17) 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 2017-18. During the year the total values of payments made to and received from Norse Group Ltd, were £72.652m and £4.634m respectively (£78.075m and £6.089m respectively in 2016-17).

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 over 90% of the company's turnover was with Norfolk County Council. The total value of payments made to and received from Independence Matters were £13.915m and £0.176m respectively (£15.290m and £0.455m respectively in 2016-17).

Hethel Innovations Ltd (HIL), Norfolk Energy Futures Ltd (NEFL) and Norfolk Safety CIC are all 100% owned by the Council. NEFL's assets were liquidated during the year. Further detail about this is included in the Group Accounts on page 94. The Great Yarmouth Development Company is jointly owned with Great Yarmouth Borough Council. All have Council member or officer representation on their boards of directors. The Council has provided short term working capital and long term capital loans to its subsidiaries at appropriate rates of interest and repayable on terms relating to the nature or the loan and the expected life of underlying assets.

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.

	2016-17	2017-18
	£000s	£000s
Opening Capital Financing Requirement	**673,445**	**697,717**
Capital Investment		
Property, plant and equipment	168,878	193,461
Intangible assets	164	1,517
Revenue expenditure funded from capital under statute	27,306	25,900
Loans	8,816	6,380
Sources of Finance		
Capital receipts	0	(6,751)
Government grants and other contributions	(170,693)	(177,806)

Sums set aside from revenue:		
Direct revenue contributions	(4,192)	(500)
Minimum Revenue Provision	(6,007)	(1,910)
Closing Capital Financing Requirement	**697,717**	**738,008**
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(6,007)	(1,910)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	30,279	42,201
Assets acquired under Finance Leases	0	0
Assets acquired under PFI contracts	0	0
Other long term liabilities	0	0
Increase/(decrease) in Capital Financing Requirement	**24,272**	**40,291**

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 2017	31 March 2018
	£000s	£000s
Land and buildings	9,296	9,274
Vehicles, plant and equipment	2,901	2,110
Heritage Assets	2,270	2,652
County Council Total	**14,467**	**14,036**

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 2017	31 March 2018
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	930	809
Non current	2,223	1,413
Finance costs payable in future years	256	147
Minimum lease payments	**3,409**	**2,369**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000s	£000s	£000s	£000s
Not later than one year	1,040	876	930	809
Later than one year and not later than five years	2,146	1,456	1,686	1,376
Later than five years	223	37	536	37
	3,409	**2,369**	**3,152**	**2,222**

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

(ii) Operating Leases

Vehicles, Plant and Equipment:

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

The amount paid under these arrangements in 2017-18 was £0.427m (£0.430m in 2016-17).

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 2017-18 were £1.671m (£1.671m in 2016-17).

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

	31 March 2017	31 March 2018
	£000s	£000s
Not later than one year	1,124	1,055
Later than one year and not later than five years	3,149	2,833
Later than five years	7,275	6,914
Total	**11,548**	**10,802**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.098m (£2.101m in 2016-17).

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 2017 £000s	31 March 2018 £000s
Leases expiring within 1 year	2,695	2,891
Leases expiring within 2 to 5 years	8,271	9,074
Leases expiring after 5 years	9,581	10,471
	20,547	**22,436**

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 2018, 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 2018 (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 2018	Total at 31 March 2017
	£000s	£000s	£000s	£000s	£000s
Payable in 2018-19	1,084	7,602	5,571	14,257	14,346
Payable within 2-5 years	4,955	29,461	20,722	55,138	56,602
Payable within 6-10 years	20,323	30,714	20,056	71,093	71,666
Payable within 11-15 years	26,986	34,973	7,915	69,874	76,517
Payable within 16-20 years	0	0	0	0	9,504
Total	**53,348**	**102,750**	**54,264**	**210,362**	**228,635**

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:

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

Comparatives for 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**

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 2017-18 the Council recognised an impairment loss of £15.564m (£38.717m in 2016-17) in relation to capital expenditure incurred which does not result in a change to the value of the assets. Impairment reversals on revaluations total £0.398m (£2.262m in 2016-17).

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 2017-18, the County Council paid £16.265m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2016-17 were £19.589m and 16.4%. 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 2017-18, the County Council paid £0.189m 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 2016-17 were £0.229m 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 90.

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	
	2016-17	2017-18	2016-17	2017-18
	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	60,992	94,630	5,700	7,100
Past service costs	1,258	619	3,900	0
(Gain)/loss from settlements	(10,000)	(10,740)	(900)	(1,200)
Financing and Investment Income and Expenditure:				
Net interest expense	20,408	22,773	10,200	8,600
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	72,658	107,282	18,900	14,500
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)	120,999	(24,326)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	20,145	0	(1,600)	(3,400)
Actuarial gains and losses arising on changes in financial assumptions	(440,904)	(51,550)	(58,900)	(5,700)
Other (if applicable)	40,470	(3,266)	28,700	20,800
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(186,632)	28,140	(12,900)	26,200
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(72,658)	(107,282)	(18,900)	(14,500)
Actual amount charged against the General Fund balance for pensions for the year:				
Employers contributions payable to the scheme*	55,868	56,020		
Retirement benefits payable to pensioners			5,400	6,100

*(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	
	2016-17	**2017-18**	**2016-17**	**2017-18**
	£000s	**£000s**	**£000s**	**£000s**
Present value of the defined benefit obligation	(2,633,029)	(2,666,055)	(331,100)	(351,200)
Fair value of plan assets	1,771,703	1,832,609	0	0
Net liability arising from defined benefit obligation	**(861,326)**	**(833,446)**	**(331,100)**	**(351,200)**

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2016-17	**2017-18**	**2016-17**	**2017-18**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April	**2,189,391**	**2,633,029**	**285,800**	**331,100**
Current service cost	60,992	94,630	5,700	7,100
Interest cost	76,355	68,715	10,200	8,600
Contributions by scheme participants	14,029	13,657	1,400	1,500
Remeasurement (gains) and losses:				
Actuarial gains and losses arising on changes in demographic assumptions	(20,145)	0	1,600	(3,400)
Actuarial gains and losses arising on changes in financial assumptions	440,904	(51,550)	58,900	(5,700)
Other (if applicable)	(40,470)	(3,266)	(28,700)	20,800
Past service costs	1,258	619	3,900	0
Losses/(gains) on curtailments	(18,140)	(20,055)	(900)	(1,200)
Benefits paid	(71,145)	(69,724)	0	
Pension and lump sum expenditure	0	0	(6,800)	(7,600)
Balance at 31 March	**2,633,029**	**2,666,055**	**331,100**	**351,200**

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

	Local Government Pension Scheme	
	2016-17	2017-18
	£000s	£000s
Opening fair value of scheme assets	**1,604,145**	**1,771,703**
Interest income	55,947	45,942
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	120,999	24,326
Employer contributions	55,868	56,020
Contributions from employees into the scheme	14,029	13,657
Benefits paid	(71,145)	(69,724)
Other (gain/loss from settlements)	(8,140)	(9,315)
Balance at 31 March	**1,771,703**	**1,832,609**

Local Government Pension Scheme Assets comprised:

	Period ended 31 March 2017				Period ended 31 March 2018			
Asset Category	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	131,946	-	131,946	7%	120,492	-	120,492	7%
Manufacturing	102,957	-	102,957	6%	102,763	-	102,763	6%
Energy and Utilities	49,216	-	49,216	3%	32,700	-	32,700	2%
Financial Institutions	113,876	-	113,876	6%	102,235	-	102,235	6%
Health and Care	53,565	-	53,565	3%	33,580	-	33,580	2%
Information Technology	50,639	-	50,639	3%	57,467	-	57,467	3%
Debt Securities:								
Corporate Bonds (investment grade)	-	-	-	0%	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	-	-	-	0%	27,585	-	27,585	2%
Private Equity:								
All	-	110,731	110,731	6%	-	101,244	101,244	6%
Real Estate:								
UK Property	-	165,374	165,374	9%	-	160,762	160,762	9%
Overseas Property	-	27,653	27,653	2%	-	26,354	26,354	1%

Asset Category	Period ended 31 March 2017				Period ended 31 March 2018			
	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	%
Investment Funds and Unit Trusts:								
Equities	470,565	-	470,565	27%	490,633	-	490,633	27%
Bonds	447,810	-	447,810	25%	507,099	-	507,099	28%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rates	-	-	-	0%	-	-	-	0%
Foreign Exchange	(3,670)	-	(3,670)	0%	2,795	-	2,795	0%
Other	-	-	-	0%	(1,391)	-	(1,391)	0%
Cash and Cash equivalents:								
All	-	51,040	51,040	3%	-	68,289	68,289	4%
Totals	**1,416,904**	**354,798**	**1,771,702**	**100%**	**1,475,959**	**356,650**	**1,832,609**	**100%**

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

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the fire fighters scheme and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council fund being based on the most recent actuarial valuation of the scheme.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2016-17	**2017-18**	**2016-17**	**2017-18**
Mortality assumptions:				
Longevity at 65 (60 for Fire fighters scheme) for current pensioners:				
Men	22.1	22.1	30.2	28.6
Women	24.4	24.4	31.7	31.0

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2016-17	2017-18	2016-17	2017-18
Longevity at 65 (60 for Fire fighters scheme) for future pensioners:				
Men	24.1	24.1	31.6	29.7
Women	26.4	26.4	33.2	32.2
Rate of inflation	3.4%	3.4%	3.4%	3.4%
Rate of increase in salaries	2.7%	2.7%	3.4%	3.4%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%	2.6%	2.7%

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 2018	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	10%	268,889
0.5% increase in the salary increase rate	1%	34,134
0.5% increase in the pension increase rate	9%	231,669

The Council’s actuaries estimate that a one year increase in life expectancy would approximately increase the scheme liabilities (defined benefit obligation) by around 3%-5% (approximate monetary amount £79.982m - £133.303m).

Fire Fighters Pension Scheme

Change in assumptions at 31 March 2018	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	9%	31,670
1 year increase in member life expectancy	3%	10,537
0.5% increase in the salary increase rate	1%	2,771
0.5% increase in the pension increase rate	8%	26,732

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 £56.269m expected contributions to the scheme in 2018-19.

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.

NDR Land Compensation

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

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 Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, 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 2017-18 was approved by full Council on 20 February 2017 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 Council's deposits, but there was no evidence at the 31 March 2018 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 £45.996m of the £119.225m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2017	31 March 2018
	£000s	**£000s**
Less than three months	20,596	19,339
Three to six months	3,634	4,005
Six months to one year	6,459	4,827
More than one year	12,981	17,825
	43,670	**45,996**

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 2018 was £2.042m.

(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 2017 £000s	31 March 2018 £000s
Less than one year	104,632	72,000
Between one and two years	0	0
More than two years	0	0
	104,632	**72,000**

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 2017 £000s	31 March 2018 £000s
Less than one year	15%	0%	14,197	14,227
Between one and two years	15%	0%	6,500	5,525
Between two and five years	45%	0%	13,281	20,404
Between five and ten years	75%	0%	85,725	93,900
More than ten years	100%	0%	410,175	407,911
			529,878	**541,967**

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	376
Impact on surplus or deficit on the Provision of Services	376
Decrease in fair value of fixed rate investment assets Impact on Other Comprehensive Income and Expenditure	N/A
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	99,830

The approximate impact of a fall in interest rates would be limited to £0.124m. 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 2017-18, 5 schools moved from Foundation to Academy status giving a total in this authority area of 28 Foundation Schools (33 in 2016-17).

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 2017 £000s	**31 March 2018 £000s**
Norfolk Pension Fund	6,395	6,603
Norse Care Ltd	4,012	1,840
Norse Commercial Services Ltd	1,263	3,192
Independence Matters CIC	1,185	1,755
	12,855	**13,390**

44. Trust Funds

During 2016-17 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 2018. 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 2018

2016-17 £000s			2017-18 £000s
	Contributions receivable		
	County Council		
(1,865)	- Contributions in relation to pensionable pay	(1,867)	
(103)	- Early retirements	(202)	
(1,480)	Fire fighters' contributions	(1,522)	
(3,448)			(3,591)
(31)	Transfers in from other authorities		0
	Benefits payable		
6,492	Pensions	6,716	
683	Commutations and lump sums	2,220	
7,175			8,936
	Payments to and on account of leavers		
201	Refunds of contributions		0
3,897	Net amount payable for the year		5,345
(3,897)	Top up grant payable by Government		(5,345)
0			**0**

Fire Fighters Pension Fund Net Assets Statement

31 March 2017 £000s		31 March 2018 £000s
(172)	Top up (payable to) / receivable from Government	733
172	Amount owing (to) / from General Fund	(733)
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 9 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	Ceased trading
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Regeneration Company Limited	Subsidiary	Dormant
Great Yarmouth Development Company Limited	Subsidiary	Not material
Norfolk Safety Community Interest Company	Subsidiary	Not material
Public Law East Limited	Subsidiary	Dormant
Educator Solutions Ltd	Subsidiary	Dormant

Repton Property Developments 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 2017-18 is from 1 April 2017 to 31 March 2018. Copies of the final accounts of the company for the period ended 31 March 2018 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 2018 are shown in the table below.

Norse Group Ltd	**2016-17**	**2017-18**
	£000s	**£000s**
Current Assets	63,266	55,952
Non-current assets	117,614	118,356
Current Liabilities	(66,162)	(50,400)
Non-current liabilities.	(98,279)	(105,772)
Net Assets for the accounting period	16,439	18,136
Revenue	281,337	279,720
Profit or loss from continuing operations	2,566	(2,236)
Profit/(Loss) for the accounting period (after Tax)	1,766	(2,082)
Other comprehensive (expense) / income	(15,688)	4,404
Total comprehensive (expense) / income	(13,922)	2,322
Extent of non-controlling interests		
Non-controlling equity interest	(1,058)	(996)
Non-controlling interest in the Profit/(Loss) for the accounting period	426	(179)

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 2017-18, over 90% of the company’s turnover of £14.7m 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. On 3rd July 2017 the County Council decided to liquidate the company. The company’s assets were transferred to the County Council on 18th December 2017 when the company ceased trading. The asset value partially offset the loans provided by the County Council and the outstanding loan balance of £0.117m has been written off.

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 a dormant company 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

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 requirements of the Solicitors’ Regulatory Authority. The company did not trade in 2017-18.

Educator Solutions Limited

Educator Solutions is a trading enterprise of Norfolk County Council which provides a wide range of services, products and advice to educational establishments. Educator Solutions Limited was set up to reserve the name and to date it remains dormant.

Repton Property Developments Limited

Repton Property Developments Limited was incorporated in July 2017. Wholly owned by Norfolk County Council, the company has been established to develop the Council's surplus properties and other suitable assets. The company did not trade in 2017-18.

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 2017-18 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

	2016-17 Gross Expenditure restated £000s	2016-17 Gross Income restated £000s	2016-17 Net Expenditure restated £000s	2017-18 Gross Expenditure £000s	2017-18 Gross Income £000s	2017-18 Net Expenditure £000s
Adult Social Services	385,469	116,254	269,215	410,933	131,314	279,619
Children's Services	627,335	433,561	193,774	616,150	396,175	219,975
Community and Environmental Services	324,930	161,900	163,030	327,482	156,385	171,097
Managing Director's Department	17,189	6,363	10,826	19,167	7,435	11,732
Finance and Commercial Services	77,844	12,260	65,584	50,512	12,702	37,810
Finance General	10,430	5,820	4,610	13,953	7,096	6,857
Other Services	102,040	103,016	(976)	105,291	107,783	(2,492)
Non Distributed Costs	(5,550)	0	(5,550)	(11,174)	0	(11,174)
Exceptional Items (Note 2)	7,003	4,538	2,465	2,197	0	2,197
Other Operating Income	0	374	(374)	0	588	(588)
Cost of Services	**1,546,690**	**844,086**	**702,604**	**1,534,511**	**819,478**	**715,033**
Other Operating Expenditure			112,140			109,182
Financing and Investment Income and Expenditure (Note 2)			62,446			61,809
Taxation and Non-Specific Grant Income			(804,974)			(765,288)
(Surplus) / Deficit on Provision of Services			**72,216**			**120,736**
Share of surplus or deficit of associates			(23)			(102)
Tax Expenses (Note 3)			901			(130)
Group (Surplus) / Deficit			**73,094**			**120,504**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(74,462)			(31,113)
Actuarial (Gains) / Losses on Pension Assets / Liabilities			306,777			(71,846)
Other Comprehensive Income and Expenditure			**232,315**			**(102,959)**
Total Comprehensive Income and Expenditure			**305,409**			**17,545**

As stated in the Narrative Report on page 3, the Council has made a number of changes to the service structure including changes to Community and Environmental Services, and re-defining the services in Resources and Finance and Property which are now replaced by the Managing Director's Department and Finance and Commercial Services. The comparative figures for 2016-17 have been restated in line with the new service structures.

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 98 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 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)**
Movement in Reserves during 2017-18							
Total Comprehensive Expenditure and Income	(35,332)	(80,829)	(116,161)	98,555	0	98,555	(17,606)
Adjustments between Group Accounts and Council Accounts**	(83,158)	83,158	0	0	0	0	0
Net increase or decrease before transfers	(118,490)	2,329	(116,161)	98,555	0	98,555	(17,606)
Adjustments between accounting basis & funding basis under regulations	74,887	0	74,887	(74,887)	0	(74,887)	0
Increase / (Decrease) in Year	**(43,603)**	**2,329**	**(41,274)**	**23,668**	**0**	**23,668**	(17,606)
Balance at 31 March 2018	**173,576**	**(5,825)**	**167,751**	**(223,909)**	**16,882**	**(207,027)**	**(39,276)**

** 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 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)**
Total Comprehensive Expenditure and Income	(17,606)	61	(17,545)
Balance at 31 March 2018	**(39,276)**	**(996)**	**(40,272)**

* see note on previous page.

Group Balance Sheet

	Group Note	31 March 2017 £000s	31 March 2018 £000s
Property, Plant & Equipment	4	1,674,426	1,721,646
Heritage Assets		5,778	6,704
Investment Property		21,884	21,529
Intangible Assets	5	5,559	6,712
Assets held for Sale		130	0
Long Term Investments		1,238	1,238
Investments in Associates and Joint Ventures		45	97
Long Term Debtors	7	61,305	61,716
Deferred Tax Asset		6,817	6,542
Long Term Assets		**1,777,182**	**1,826,184**
Short Term Investments		101,462	70,500
Inventories	6	3,551	3,527
Short Term Debtors	7	158,864	157,108
Cash and Cash Equivalents	8	59,453	22,689
Assets Held for Sale		1,183	4,145
Current Tax Recoverable		814	0
Current Assets		**325,327**	**257,969**
Short Term Borrowing		(25,790)	(18,988)
Other Short Term Liabilities		(3,222)	(3,632)
Short Term Creditors	9	(195,540)	(191,852)
Provisions		(9,450)	(6,698)
Current tax liability		(91)	(24)
Current Liabilities		**(234,093)**	**(221,194)**
Long Term Creditors	13	(16,679)	(16,529)
Provisions		(20,542)	(21,708)
Long Term Borrowing		(529,946)	(549,596)
Other Long Term Liabilities		(1,297,328)	(1,284,945)
Capital Grants Receipts in Advance		(26,648)	(30,453)
Long Term Liabilities		**(1,891,143)**	**(1,903,231)**
Net Assets		**(22,727)**	**(40,272)**
Usable Reserves	11	209,025	167,751
Unusable Reserves	11	(231,752)	(208,023)
Total Reserves		**(22,727)**	**(40,272)**

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Group Cash Flow Statement

	31 March 2017 £000s	31 March 2018 £000s
Net (surplus) or deficit on the provision of services	**72,216**	**120,736**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(235,369)	(247,015)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	166,740	107,016
Net cash flows from Operating Activities (note i)	3,587	(19,263)
Investing Activities (note ii)	32,757	67,780
Financing Activities (note iii)	(34,210)	(11,753)
Net (increase) or decrease in cash and cash equivalents	**2,134**	**36,764**
Cash and cash equivalents at the start of the year	**61,587**	**59,453**
Cash and cash equivalents at the end of the year (note 8)	**59,453**	**22,689**

Notes to the Group Cash Flow Statement

i. Operating Activities

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

	2016-17 £000s	2017-18 £000s
Interest received	(2,311)	(3,042)
Interest paid	33,138	35,189
Dividends received	(762)	(1,297)
Dividends paid	508	600

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

	2016-17 £000s	2017-18 £000s
Depreciation	(61,403)	(58,823)
Impairment and downward valuations	(23,647)	(14,372)
(Increase)/decrease in creditors	(15,794)	6,708
Increase/(decrease) in debtors	18,101	(10,280)
Movement in Pension Liability	(25,829)	(61,736)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(113,848)	(109,434)
Other non-cash items charged to the net surplus or deficit on the provision of services	(12,949)	922
	(235,369)	**(247,015)**

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

	2016-17 £000s	2017-18 £000s
Capital grants credited to the deficit on the provision of services	184,043	137,200
Proceeds from short term (not considered to be cash equivalents) and long term investments	(21,551)	(32,126)
Proceeds from the sale of property, plant and equipment	3,153	1,942
Other items for which the cash effects are investing or financing activities	1,095	0
	166,740	**107,016**

ii. Investing Activities

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

	2016-17 £000s	2017-18 £000s
Purchase of property, plant and equipment, investment property and intangible assets	171,379	199,311
Purchase of short term and long term investments	0	25
Other payments for investing activities	49,372	7,726
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,932)	(2,002)
Proceeds from short term and long term investments	0	(89)
Other receipts from investing activities	(182,062)	(137,191)
Net cash flows from investing activities	**32,757**	**67,780**

iii. Financing Activities

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

	2016-17 £000s	2017-18 £000s
Cash receipts of short term and long term borrowing	(46,250)	(35,307)
Other receipts from financing activities	0	(50)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,668	3,579
Repayments of short term and long term borrowing	7,864	19,425
Other payments from financing activities	508	600
Net cash flows from financing activities	**(34,210)**	**(11,753)**

Notes to the Group Accounts

1. Accounting Policies

1.1 General Principles

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

1.2 Business combinations

Business combinations occurring on or after 1 February 2009 are accounted for using the acquisition method under the revised IFRS 3 Business Combinations (IFRS 3R). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

1.3 Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated, without discounting, based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

1.4 Goodwill

Goodwill arises from the acquisition of a controlling interest in various companies within the group accounts. It represents the excess cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed annually for impairment and any impairment is recognised in the Comprehensive Income and Expenditure Statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

2. Group Comprehensive Income and Expenditure Statement (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	695
Provisions for claims	1,502
Net Total	**2,197**

The consolidation adjustment in the total for Financing and Investment Income and Expenditure is due to:

	2016-17 £000s	2017-18 £000s
Interest payable and similar charges	1,113	1,411
Net interest cost and on the net defined benefit liability	973	1,160
Interest receivable and similar income	(106)	(117)
Total for Norse Group Ltd and Independence Matters	**1,980**	**2,454**

3. Tax Expenses of Group Entities

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

	2016-17 £000s	2017-18 £000s
Tax in respect of the current year	359	652
Deferred tax in respect of the current year (retirement benefit obligations)	(90)	(377)
Deferred tax on actuarial loss/gain for the year	759	(237)
Impact of the change in tax rates recognised in the Comprehensive Income and Expenditure Statement	(127)	(168)
Total Taxation Expenses	**901**	**(130)**

4. Property, Plant and Equipment

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

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

Capital Commitments

The Norse Group Ltd has capital expenditure commitments of £3.393m as at 31 March 2018.

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:

	2016-17			2017-18		
	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	6,824	4,783	**11,607**	5,197	4,783	**9,980**
- Accumulated amortisation	(5,592)	(386)	**(5,978)**	(4,035)	(386)	**(4,421)**
Net carrying amount at the start of the year	**1,232**	**4,397**	**5,629**	**1,162**	**4,397**	**5,559**
Additions (purchases)	295	0	**295**	1,370	0	**1,370**
Disposals	(15)	0	**(15)**	(3)	0	**(3)**
Impairment losses	(51)	0	**(51)**	0	0	**0**
Amortisation for the period	(516)	0	**(516)**	(484)	0	**(484)**
Other Changes	217	0	**217**	270	0	**270**
Net carrying amount at the end of the year	**1,162**	**4,397**	**5,559**	**2,315**	**4,397**	**6,712**
Comprising:						
- Gross carrying amounts	5,197	4,783	**9,980**	6,465	4,783	**11,248**
- Accumulated amortisation	(4,035)	(386)	**(4,421)**	(4,150)	(386)	**(4,536)**
	1,162	**4,397**	**5,559**	**2,315**	**4,397**	**6,712**

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	2016-17	2017-18
	£000s	£000s
Balance outstanding at start of year	**2,941**	**3,551**
Purchases	27,046	32,806
Recognised as an expense in year	(26,436)	(32,826)
Amounts written off	0	(4)
Balance outstanding at year end	**3,551**	**3,527**

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 2017 £000s	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s
Central Government bodies	0	0	9,916	10,895
Other local authorities	0	0	45,038	44,953
Public Corporations	0	0	42	0
NHS bodies	0	0	13,391	14,598
Prepayments	0	0	19,878	20,981
Other entities and individuals	61,305	61,716	70,599	65,681
Group Total	**61,305**	**61,716**	**158,864**	**157,108**

8. Cash and Cash Equivalents

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

	31 March 2017 £000s	31 March 2018 £000s
Single Entity Cash and Bank balances	(6,952)	(8,488)
Subsidiary cash and bank balances	8,122	8,298
Short term deposits with the Money Market	58,283	22,879
Total Group Cash and Cash Equivalents	**59,453**	**22,689**

9. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The long term creditor total in the balance sheet includes £4.646m deferred grant income towards three capital projects in the Norse accounts.

	Short Term Creditors	
	31 March 2017 £000s	31 March 2018 £000s
Central Government bodies	12,828	13,376
Other local authorities	14,188	18,699
NHS bodies	3,114	6,419
Public Corporations and Trading Funds	42	0
Receipts in advance	2,644	7,862
Other entities and individuals	162,724	145,496
Group Total	**195,540**	**191,852**

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:

	2016-17 £000s	2017-18 £000s
Group Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	64,424	99,527
Past service costs/(gain)	1,277	630
(Gain)/loss from settlements	(10,000)	(10,740)
Financing and Investment Income and Expenditure:		
Net interest expense	21,381	23,933
Total post employment benefit charged to the Surplus of Deficit on the Provision of Services	77,082	113,350
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)	138,239	(25,100)
Actuarial gains and losses arising on changes in demographic assumptions	(15,633)	0
Actuarial gains and losses arising on changes in financial assumptions	(440,904)	(56,082)
Other (if applicable)	40,470	(3,266)
Total post employment benefit charged to the Group Comprehensive Income and Expenditure Statement	(200,746)	28,902
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	(77,082)	(113,350)
Actual amount charged against Usable reserves for pensions for the year:		
Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	60,215	60,014

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:

	2016-17	2017-18
	£000s	£000s
Present value of the defined benefit obligation	(2,858,801)	(2,893,852)
Fair value of plan assets	1,953,284	2,019,447
Net liability arising from defined benefit obligation	**(905,517)**	**(874,405)**

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

	2016-17	2017-18
	£000s	£000s
Balance at 1 April	**2,400,342**	**2,858,801**
Current service cost	64,424	99,527
Interest cost	83,358	74,589
Contributions by scheme participants	15,017	14,589
Remeasurement gains and losses:		
Actuarial gains and losses arising on changes in demographic assumptions	15,633	0
Actuarial gains and losses arising on changes in financial assumptions	440,904	(56,082)
Other (if applicable)	(40,470)	(3,266)
Past service costs/(gain)	1,277	630
Losses /(gains) on curtailments	(18,140)	(20,055)
Benefits paid	(76,555)	(74,881)
Termination in respect of NPS North East Limited	(26,989)	0
Balance at 31 March	**2,858,801**	**2,893,852**

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

	2016-17	2017-18
	£000s	£000s
Opening fair value of scheme assets	**1,784,978**	**1,953,284**
Interest income	61,977	50,656
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	138,239	25,100
Employer contributions	60,215	60,014
Contributions by scheme participants	15,017	14,589
Benefits paid	(76,551)	(74,881)
Other (gain/loss from settlements)	(8,140)	(9,315)
Termination in respect of NPS North East Limited	(22,451)	0
Balance at 31 March	**1,953,284**	**2,019,447**

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 97. 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	**(8,154)**	**16,200**	**682**	**16,882**
Profit/(Loss) for the year	(1,809)	0	0	0
Actuarial loss in respect of defined benefit pension schemes	4,929	0	0	0
Deferred tax in respect of defined benefit pension schemes	(838)	0	0	0
Controlling Interest movements	47	0	0	0
Balance at 31 March	**(5,825)**	**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 2017**	**31 March 2018**
	£000s	**£000s**
Land and buildings	9,296	9,274
Vehicles, plant and equipment	9,408	9,809
Heritage Assets	2,270	2,652
Group Total	**20,974**	**21,735**

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

Group	**31 March 2017**	**31 March 2018**
	£000s	**£000s**
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,369	2,548
Non current	7,067	6,934
Finance costs payable in future years	692	655
Minimum lease payments	**10,128**	**10,137**

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

Group	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000s	£000s	£000s	£000s
Not later than one year	2,629	2,782	2,369	2,548
Later than one year and not later than five years	6,645	6,558	5,916	6,172
Later than five years	854	797	1,150	762
	10,128	**10,137**	**9,435**	**9,482**

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 2017-18 was £2.418m (£1.930m in 2016-17). The company also leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2017-18 were £1.629m (£1.678m in 2016-17).

Details of the Council's leases are shown in Note 35 on page 76.

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

	31 March 2017	31 March 2018
	£000s	£000s
Not later than one year	4,234	4,328
Later than one year and not later than five years	9,613	10,768
Later than five years	10,016	9,204
Total	**23,863**	**24,300**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £6.145m (£5.709m in 2016-17).

13. Financial Instruments

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

		Long Term		Current	
		31 March 2017	31 March 2018	31 March 2017	31 March 2018
		£000s	£000s	£000s	£000s
Investments:					
Loans and receivables		0	0	101,462	70,500
Available for sale financial assets	(i)	1,238	1,238	0	0
Total included in Investments		**1,238**	**1,238**	**101,462**	**70,500**
Debtors					
Loans and receivables	(ii)	59,939	60,088	107,596	110,538
Soft Loans (legal charges on property)	(iii)	1,366	1,628	324	414
Total included in Debtors		**61,305**	**61,716**	**107,920**	**110,952**

	Long Term		Current	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000s	£000s	£000s	£000s
Borrowings:				
Financial liabilities at amortised cost	529,946	549,596	25,790	18,988
Total included in Borrowings	**529,946**	**549,596**	**25,790**	**18,988**
Other Long Term Liabilities				
PFI liabilities	53,349	52,265	853	1,084
Finance lease liabilities	7,067	6,935	2,369	2,548
Total Other Long Term Liabilities	**60,416**	**59,200**	**3,222**	**3,632**
Creditors				
Financial liabilities at amortised cost	16,679	16,529	159,838	144,711
Total included in Creditors	**16,679**	**16,529**	**159,838**	**144,711**

(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 2018.

The Local Government Pension Scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendment.

The full Pension Fund Accounts are considered by the Pensions Committee. It is planned for 2017-18 accounts to be considered at its meeting on 26 June 2018 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 2017-18 (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.

DRAFT

Revenue and Fund Account for the year ended 31 March 2018

	Note	2016-17	2017-18
		£000s	**£000s**
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	129,919	147,147
Transfers in from other pension funds	8	7,961	11,637
		137,880	**158,784**
Benefits	9	(127,124)	(134,314)
Payments to and on account of leavers	10	(4,576)	(7,706)
		(131,700)	**(142,020)**
Net additions/withdrawals from dealings with members		**6,180**	**16,764**
Management expenses	11	(17,183)	(17,992)
Net additions/withdrawals from dealings with members including Fund Management Expenses		**(11,003)**	**(1,228)**
Returns on investments			
Investment income	12	61,663	60,831
Taxes on income	13a	(272)	(489)
Profit and losses on disposal of investments and changes in the market value of investments	15a	474,061	115,009
Net return on investments		**535,452**	**175,351**
Net increase/decrease in the net assets available for benefits during the year		**524,449**	**174,123**
Opening net assets of the scheme		**2,904,798**	**3,429,247**
Closing net assets of the scheme		**3,429,247**	**3,603,370**

Net Assets Statement at 31 March 2018

	Note	2016-17 £000s	2017-18 £000s
Investment assets	15	3,414,886	3,584,965
Investment liabilities	15	(5,484)	(5,056)
		3,409,402	**3,579,909**
Long term Debtors	20	4,541	3,290
		4,541	**3,290**
Current Assets			
Debtors	20	16,535	19,393
Cash in hand		6,233	10,434
		22,768	**29,827**
Current Liabilities			
Creditors	21	(7,464)	(9,656)
		(7,464)	**(9,656)**
Net Current Assets		**15,304**	**20,171**
Net Assets of the Fund available to fund benefits at the period end		**3,429,247**	**3,603,370**

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 2017-18 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 369 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below: This is an increase of 47 employers since 31 March 2017.

	31 March 2017	31 March 2018
Number of Employers with Active Members	**322**	**369**
Full membership including employers with deferred and legacy pension commitments		
Number of Employees in Scheme		
Norfolk County Council	13,606	12,869
Other Employers	14,863	15,968
Total	**28,469**	**28,837**
Number of Pensioners		
Norfolk County Council	12,080	12,565
Other Employers	11,140	11,646
Total	**23,220**	**24,211**
Deferred Pensioners		
Norfolk County Council	19,946	20,550
Other Employers	14,270	15,970
Total	**34,216**	**36,520**

The movement in employer numbers is due to the following employers leaving or joining the Fund during the financial year: -

Employers ceasing to have active employees in the Fund:	**Employers joining the active section of the Fund:**
1. Age UK Norfolk	1. Action for Children (4Children)
2. Barnham Broom Parish Council	2. Alderman Peel High
3. Caterlink	3. Astley Primary
4. Edwards + Blake (Marham Infant)	4. Bignold Primary School and Nursery
5. Edwards and Blake (Neatherd High)	5. Bradwell Parish Council
6. Edwards and Blake (Nicholas Hamond)	6. Burnham Market Primary School
7. Paston College	7. Burston Community Primary School
8. Pre – School Learning Alliance (Milestones)	8. Butterflies Nursery
9. Pre – School Learning Alliance (Thorpe)	9. Churchill Park Academy
10. Victory Housing Trust	10. Corpusty Primary School
	11. Drayton Community Infant School
	12. Emneth Academy
	13. Foulsham Primary School Academy
	14. Gaywood Primary School
	15. George White Junior School
	16. Great Hockham Primary School and Nursery
	17. Great Witchingham Parish Council
	18. Great Yarmouth Charter Academy
	19. Gresham Village School
	20. Greyfriars Academy
	21. Hardingham Parish Council
	22. Heather Avenue Infant School
	23. Hemblington Primary School
	24. Highgate Infant School
	25. Inspire Education Trust
	26. Inclusive Schools Trust
	27. Kenninghall Community Primary School
	28. King’s Oak Academy
	29. Lionwood Infant and Nursery
	30. Lionwood Junior
	31. Long Stratton High School
	32. Magdalen Village School
	33. Mattishall Primary School
	34. Mundesley Parish Council
	35. Norfolk Academies
	36. North Norfolk Academy Trust
	37. North Walsham Infant and Nursery
	38. North Walsham Junior School
	39. Queensway Infant Academy and Nursery
	40. Reffley Community School and Nursery
	41. Rockland Saint Mary Primary School
	42. Salhouse Parish Council
	43. Seething and Mundham Primary School
	44. Spooner Row Primary School
	45. Sprowston Community High School

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
	46. St Germans Primary School 47. St John the Baptist Catholic Multi Academy Trust 48. Surlingham Community Primary School 49. Swannington with Alderford and Little Witchingham Parish Council 50. The Wensum Trust 51. The Wherry School 52. Thompson Primary School 53. Thurlton Primary School 54. Tivetshall Community Primary School 55. Wells-Next-The Sea Primary and Nursery School 56. Wimbotsham and Stow Community School 57. Wroxham Parish Council

A full list of participating employers is shown on page 158.

(c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2018, 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 2017-18 and 2018-19.

Actual Pensionable Pay 2017-18	Contribution rate per year 2017-18	Actual Pensionable Pay 2018-19	Contribution rate per year 2018-19
Up to £13,700	5.5%	Up to £14,100	5.5%
£13,701 to £21,400	5.8%	£14,101 to £22,000	5.8%
£21,401 to £34,700	6.5%	£22,001 to £35,700	6.5%
£34,701 to £43,900	6.8%	£35,701 to £45,200	6.8%
£43,901 to £61,300	8.5%	£45,201 to £63,100	8.5%
£61,301 to £86,800	9.9%	£63,101 to £89,400	9.9%
£86,801 to £102,200	10.5%	£89,401 to £105,200	10.5%
£102,201 to £153,300	11.4%	£105,201 to £157,800	11.4%
More than £153,301	12.5%	More than £157,801	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 2018 is 3.0% (1% April 2017).

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 2017-18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 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 for 2016-17 only)	Overseas Equities
Baillie Gifford & Co	UK Equities
Capital International (part year for 2017-18)	Global Equities

	2016-17 £000s		2017-18 £000s
Performance-related fees	528		481

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.

	2016-17 £000s		2017-18 £000s
Value of fees based on estimates	2,579		2,433

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 2017-18 and 2018-19 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.

	2016-17 £000s		**2017-18 £000s**
Value of unquoted private equity	205,619		194,877

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:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Actuarial present value of promised retirement benefits (measured under IAS26)</td><td>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the</td><td>CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:
<table>
<tr><th>Sensitivity to the assumptions for the year ended 31 March 2018</th><th>Approximate % increase to liabilities</th><th>Approximate monetary amount (£m)</th></tr>
<tr><td>0.5% p.a. increase in the Pension Increase Rate</td><td>8%</td><td>408</td></tr>
<tr><td>0.5% p.a. increase in the Salary Increase Rate</td><td>2%</td><td>71</td></tr>
<tr><td>0.5% p.a. decrease in the Real Discount Rate</td><td>10%</td><td>507</td></tr>
</table>
.</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
	assumptions to be applied.	
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 £194.9 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 2018, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions receivable

By Category	2016-17 £000s	2017-18 £000s
Employers – normal	99,924	114,776
Employers – special	192	736
Employers – augmentation	0	103
Employers – strain	1,820	2,746
Members – normal	27,380	28,138
Members – purchase of additional scheme benefits	603	648
Total	**129,919**	**147,147**

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.

	2016-17 £000s	2017-18 £000s
Deficit recovery contributions included in employer normal contributions	31,539	36,323
Total	**31,539**	**36,323**

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.

	2016-17	2017-18
By Authority	**£000s**	**£000s**
Administering authority	55,329	56,443
Other scheduled bodies	49,519	60,750
Community admission bodies	6,311	11,157
Transferee admission bodies	2,674	2,633
Resolution bodies	16,086	16,164
Total	**129,919**	**147,147**

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:

	2016-17	2017-18
	£000s	**£000s**
Strain instalments due after the balance sheet date	62	434
Total	**62**	**434**

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 2018.

8. Transfers in from other Pension Funds

	2016-17	2017-18
	£000s	**£000s**
Individual transfers	7,961	11,637
Total	**7,961**	**11,637**

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.

	2016-17	2017-18
	£000s	**£000s**
HMCS total present value	5,318	4,061
Total	**5,318**	**4,061**

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

	2016-17	2017-18
By Category	**£000s**	**£000s**
Pensions	103,970	108,295
Commutation and lump sum retirement benefits	20,674	23,602
Lump sum death benefits	2,480	2,417
Total	**127,124**	**134,314**
By Authority		
Administering authority	60,199	62,960
Other scheduled bodies	45,406	49,521
Community admission bodies	5,268	6,158
Transferee admission bodies	3,309	3,364
Resolution bodies	12,942	12,311
Total	**127,124**	**134,314**

10. Payments to and on account of leavers

	2016-17	2017-18
	£000s	**£000s**
Group transfers	126	368
Refunds to members leaving service	341	360
Individual Transfers out to other Schemes	4,109	6,978
Total	**4,576**	**7,706**

The 2017-18 Group Transfers figure is made up of one transfer in respect of Norfolk County Council. The 2016-17 Group Transfers figure is made up of one transfer in respect of Great Yarmouth Borough Council.

11. Management Expenses

Pension fund management expenses for 2017-18 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).

	2016-17 £000s	2017-18 £000s
Administrative costs	1,684	1,749
Investment managements expenses (see note14)	14,601	15,748
Oversight and governance costs	898	495
Total	**17,183**	**17,992**

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

	2016-17 £000s	2017-18 £000s
Income from fixed interest securities	0	134
Income from index linked securities	0	21
Equity dividends	22,542	23,553
Pooled property investments	13,043	13,647
Pooled fund income- Unit trusts and other managed funds	15,713	12,486
Private equity income	2,895	2,732
Pooled funds rebate	6,607	7,527
Stock lending	251	161
Interest on cash deposits	243	505
Property (Note 12a)	36	36
Windfall Tax	295	0
Other	38	29
Total Investment Income	**61,663**	**60,831**

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

	2016-17 £000s	2017-18 £000s
Rental income	36	36
Direct operating expenses	(2)	0
Net income	**34**	**36**

13. Other Fund Disclosures

13(a). Taxes on Income

	2016-17 £000s	2017-18 £000s
Withholding tax – equities	256	422
Withholding tax – pooled investments	16	67
	272	**489**

13(b). External Audit costs

	2016-17 £000s	2017-18 £000s
Payable in respect of external Audit	27	25
	27	**25**

14. Investment Expenses

	2016-17 £000s	2017-18 £000s
Management fees – invoiced ad valorem	7,991	8,777
Management fees – invoiced performance	528	481
Management expenses on unit trusts	1,545	1,168
Private Equity – fund of fund fees	3,227	3,728
Direct Property	2	0
Custody fees	58	72
Fees and Other Expenses	442	820
Transaction costs	808	702
Total	**14,601**	**15,748**

The increase in Fees and Other Expenses mainly reflects investment review expenses, costs associated with the Governments Pooling agenda and debt write-offs.

15. Investments

	Market Value 31 March 2017 £000s	Market Value 31 March 2018 £000s
Investment assets		
Fixed Interest Securities	0	60,150
Equities	985,776	796,781
Pooled Investments	1,781,230	2,016,462
Pooled property investments	373,430	414,335
Private equity Partnerships	205,619	194,877
Property	444	444
Derivatives – futures	0	4,814
Derivatives - forward currency	7,248	2,882
Cash deposits	60,823	90,787
Amounts receivable for sales	316	3,433
Total investment assets	**3,414,886**	**3,584,965**

	Market Value 31 March 2017 £000s	Market Value 31 March 2018 £000s
Investment liabilities		
Derivatives - futures	0	(96)
Derivatives - forward currency	(4,877)	(1,502)
Amounts payable for purchases	(607)	(3,458)
Total investment liabilities	**(5,484)**	**(5,056)**
Net investment assets	**3,409,402**	**3,579,909**

15 (a) Reconciliation of Movements in Investments and Derivatives 2017-18

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

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**

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 2017-18	£702,000
Transaction costs incurred during 2016-17	£808,000

15 (b) Analysis of Investments

	2016-17 £000s	2017-18 £000s
Fixed Interest Securities		
UK		
Quoted	0	60,150
	0	**60,150**

	2016-17 £000s	2017-18 £000s
Equities		
UK		
Quoted	314,721	271,626
Overseas		
Quoted	671,055	525,155
	985,776	**796,781**
Pooled Funds – additional analysis		
Unit trusts	813,403	830,490
Unitised insurance policies	280,957	253,675
Other managed funds	449,931	730,350
	1,544,291	**1,814,515**
Overseas		
Unit trusts	236,939	201,947
	236,939	**201,947**
Pooled and Freehold Property, Private Equity and Derivatives		
Pooled property investments	373,430	414,335
Private equity	205,619	194,877
Direct Property	444	444
Derivatives – futures	0	4,814
Derivatives – forward currency	7,248	2,882
	586,741	**617,352**
Other Investment Balances		
Cash deposits	60,823	90,787
Amounts receivable for sales	316	3,433
	61,139	**94,220**
Total investment assets	**3,414,886**	**3,584,965**
Investment liabilities		
Derivatives - futures	0	(96)
Derivatives – forward currency	(4,877)	(1,502)
Amounts payable for purchases	(607)	(3,458)
Total investment liabilities	**(5,484)**	**(5,056)**
Net investment assets	**3,409,402**	**3,579,909**

15 (b) Analysis of Derivatives

Objectives and policies for holding derivatives

The holdings in derivatives are to hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreements between the fund and the investment managers holding mandates that permit the use of these instruments.

a) Futures

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

The Fund has also authorised the use of futures by Henderson to assist in meeting the investment objectives that they have been set. Henderson did not hold any futures contracts in its portfolio at 31 March 2018 (2017 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.

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.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure	Market Value 31 March 2017	Economic Exposure	Market Value 31 March 2018
		£000s	£000s	£000s	£000s
Assets					
UK Equity	Less than 1 year	0	0	54,270	951
Overseas Equity	Less than 1 year	0	0	81,590	3,863
Total Assets			**0**		**4,814**
Liabilities					
Overseas fixed interest	Less than 1 year	0	0	(14,957)	(96)
Total Liabilities			**0**		**(96)**
Net futures			**0**		**4,718**

There is £11.6M in respect of initial and variation margins arising on open futures contacts at the year-end included within cash balances (2017 nil).

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	(19,800)	582	0
Up to one month	£	158,296	EUR	(179,685)	689	0
Up to one month	£	36,806	JPY	(5,445,975)	290	0
Up to one month	£	307,267	$	(429,645)	1,204	0
Up to one month	EUR	35,673	£	(31,517)	0	(228)
Up to one month	JPY	3,406,972	£	(22,978)	0	(134)
Up to one month	$	21,575	£	(15,279)	90	0
Between one and three months	£	48,588	EUR	(55,320)	0	0
Between one and three months	£	15,257	JPY	(2,290,000)	0	(115)
Between one and three months	£	228,027	$	(320,595)	27	0
Between one and three months	JPY	520,000	£	(3,547)	0	(56)
Between one and three months	$	75,000	£	(54,307)	0	(969)
Open forward currency contacts at 31 March 2018					**2,882**	**(1,502)**
Net forward currency contracts at 31 March 2018						**1,380**
Prior year comparative						
Open forward currency contacts at 31 March 2017					**7,248**	**(4,877)**
Net forward currency contracts at 31 March 2017						**2,371**

At the 31 March 2018, the fund held £2.6M (Nil 2017) cash collateral posted against gains on its Forward foreign currency contracts with Berenberg Bank. The collateral is held in a separate account and is not included in the Revenue Account or Net Asset Statement. Following financial market regulation changes during 2017-18 the Fund uses its segregated fixed Interest securities holding (£60.2M) as a collateral pool against the notional gains and losses on the Insight Investment currency contracts.

Contracts with a common underlying currency profile and similar maturity profile have been amalgamated for the purpose of disclosure. A key to the currencies referred to in the table is provided below:

Symbol / Acronym	Currency
£	British pounds (Sterling)
$	United States dollar
AUD	Australian dollar
EUR	Euro
JPY	Japanese yen

15 (b) Investments Analysed by Fund Manager

	Market Value 31 March 2017 £000s	%	Market Value 31 March 2018 £000s	%
Fidelity	583,459	17.11	599,347	16.74
Henderson Global Investors	410,650	12.04	500,312	13.97
Aviva Investors	389,953	11.44	429,336	12.00
M&G	257,974	7.57	416,936	11.65
Capital International Ltd	348,299	10.22	391,063	10.92
Baillie Gifford & Co	275,347	8.08	255,910	7.15
UBS	0	0	252,667	7.06
Wellington International	227,222	6.66	229,832	6.42
Goldman Sachs Asset Management	196,978	5.78	201,947	5.64
HarbourVest Partners	152,041	4.46	145,880	4.07
Insight Investment **	(304)	(0.01)	59,052	1.65
Global Custodian *	10,632	0.31	54,182	1.52
SL Capital Partners	53,578	1.57	48,997	1.37
Berenberg Bank **	1,907	0.06	1,608	0.04
Legal & General Investment Management	280,957	8.24	1,008	0.03
Sarasin & Partners	220,709	6.47	0	0.00
Goldman Sachs International	0	0.00	(8,168)	(0.23)
	3,409,402	**100.00**	**3,579,909**	**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 and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable. The Insight Investment holding for 2017-18 includes the Fixed Interest Securities (Gilts).

15 (b) Investments representing more than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2017 £000s	Percentage of Total Fund %	Market Value 31 March 2018 £000s	Percentage of Total Fund %
M&G Alpha Opportunities Fund	240,282	7.0	348,881	9.7
UBS Life UK Equity Tracker	0	0.0	252,667	7.0
Goldman Sachs Global Strategic Income Bond Portfolio (SIF)	196,978	5.7	201,947	5.6
Fidelity Institutional Exempt America Fund	188,758	5.5	192,735	5.4
Fidelity Institutional Europe Fund	181,328	5.3	185,874	5.2
Legal & General UK Equity Index Fund	279,961	8.2	0	0.0

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Five pooled holdings (five in 2016-17) represent over 5% of the total value of the net assets of the scheme. Each holding is a pooled investment vehicle and comprises the following:

- As at 31 March 2018 the M&G Alpha Opportunities Fund has 391 (2017 363) positions, across 261 (2017 263) issuers.
- At 31 March 2018 the UBS Life UK Equity Tracker Fund held 661 securities (L&G 646 securities as at 31 March 2017).
- As at 31 March 2018 the Goldman Sachs SIF Fund held 1,222 (2017 1,345) individual positions.

- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 170 stocks at 31 March 2018 (2017 164).
- The Fidelity Institutional Europe Fund comprised 44 holdings at 31 March 2018 (2017 52).

During the financial year the Fund exited the L&G UK Equity Index Fund and invested in the UBS Life UK Equity Tracker Fund. This change was part of the joint commercial arrangements with ACCESS Pool. Details of the UBS investment are shown below along with the L&G details for completeness.

The UBS investment is a unit linked contract of long term insurance ("the policy") issued by UBS Asset Management Life Ltd ("UBS Life"). Units in the range of pooled investment funds operated by UBS Life ("Life Funds") are allocated to the Policyholders. The value of the units in a Life Fund are directly linked to the assets legally and beneficially owned by UBS Life and held in that Life Fund. Such units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at UBS Life's discretion, by a transfer of assets in specie). The underlying assets are predominantly quoted investments which are listed or admitted to trading on a stock exchange (or similar public market) and may also include uninvested cash and derivatives . The policy falls within Class III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a "with profits" contract.

Within the Reconciliation of the Movements in Investments, the following investments represented more than 5% of the asset class or type at 31 March 2018:

Holding/Investment Type	Market Value 31 March 2018 £000s	Percentage of asset class %
Fixed Interest Securities		
UK Government Gilts 0.5% 22/07/2022	15,467	57.31
Index Linked UK Government Gilts 0.125% 22/03/2026	14,635	44.13
Index Linked UK Government Gilts 0.125% 22/03/2044	10,895	32.85
UK Government Gilts 3.25% 22/01/2044	8,220	30.46
Index Linked UK Government Gilts 0.375% 22/03/2062	7,631	23.01
UK Government Gilts 2.5% 22/07/2065	3,302	12.24
Pooled investments		
M&G Alpha Opportunities Fund	348,881	17.30
UBS Life UK Equity Tracker	252,667	12.53
Goldman Sachs Global Strategic Income Bond Portfolio	201,947	10.01
Fidelity Institutional Exempt America Fund	192,735	9.56
Fidelity Institutional Europe Fund	187,874	9.22
Janus Henderson Managed Multi Asset Credit Fund	160,526	7.96
Janus Henderson Institutional Long Credit Fund	152,759	7.58
Fidelity Institutional Japan Fund	101,659	5.04
Pooled property investments		
Industrial Property Investment Fund	39,206	9.46
Blackrock UK Property Fund	38,182	9.22
Janus Henderson Central London Office Property Fund	31,824	7.68
Lothbury Property Trust Units	26,740	6.45
Rockspring Hannover Property Unit Trust	22,861	5.52
Standard Life UK Shopping Centre	22,170	5.35
Private equity		
Harbourvest VIII Cayman Buyout Fund	27,285	14.00
Standard Life European Strategic 2008	25,103	12.88
Harbourvest IX Cayman Buyout Fund	19,732	10.13
Harbourvest VIII Cayman Venture Fund	18,163	9.32
Harbourvest HIPEP VII Europe Feeder Fund	15,627	8.02
Harbourvest IX Cayman Venture Fund	14,144	7.26
Direct Property	444	100.00
Hamlin Way, King's Lynn		

15 (c) Stock Lending

	31 March 2017	31 March 2018
	£000s	£000s
Value of quoted equities on loan	63,510	109,147
Value of un-quoted equities on loan	6,148	0
Fair value of collateral held by Custodian	7,589	115,762
Collateral relative to stock on loan (percentage coverage)	106%	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 2017 £000s	Value on loan at 31 March 2018 £000s
UK Equities	12,314	46,217
Overseas Equities	57,344	62,929

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

15 (d) Property Holdings

Details of the Funds directly owned properties are as follows:

	Year ending 31 March 2017	Year ending 31 March 2018
	£000s	£000s
Opening Balance	444	444
Additions	0	0
Disposals	0	0
Net increase in market value	0	0
Other changes in fair value	0	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
UK Gilts and Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields.	Not required	Not required
FX	Level 1	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Equity Futures	Level 1	Published exchange prices at year end.	Not required	Not required
Pooled Investment Vehicle – Equity and Debt	Level 2	Valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	Not required
Pooled Investment Vehicle - Property	Level 3	Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.	Investments in unquoted property pooled funds are valued at the net asset value or a single price advised by the fund manager. Pooled property funds and Limited Partnerships in property have derived underlying assets that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).	Valuations could be affected by Material events.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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
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 2018.

Description of Asset	Asset Valuation Range (+/-)	Value at 31 March 2018	Value on Increase	Value on Decrease
		£000s	£000s	£000s
Pooled Property Investments	14.3%	414,779	474,092	355,466
Private Equity	28.3%	194,877	250,027	139,727
Total		609,656	724,119	495,193

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 2018	**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	864,627	2,016,462	609,212	3,490,301
Non-Financial assets at fair value through profit and loss (See Note 15d)	0	0	444	444
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(1,598)	0	0	(1,598)
Net Investment Assets	**863,029**	**2,016,462**	**609,656**	**3,489,147**

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				
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**

16b. Transfers between Levels 1 and 2

There were no transfers between Level 1 and 2 in 2017-18. In 2016-17 the Equity and debt Pooled Funds totalling £1,781.2m were re-classified from level 1 to level 2 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 2017	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 2018
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Pooled and Freehold Property Investments	373,874	0	0	35,461	(19,107)	4,503	20,048	414,779
Private Equity	205,619	0	0	38,057	(67,569)	32,661	(13,891)	194,877
	579,493	**0**	**0**	**73,518**	**(86,676)**	**37,164**	**6,157**	**609,656**

16(d) Financial Instruments - Classification

	31 March 2017			31 March 2018		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000s	£000s	£000s	£000s	£000s	£000s
Financial assets						
Fixed interest Securities	0			60,150		
Equities	985,776			796,781		
Pooled Investments	1,781,230			2,016,462		
Pooled Property	373,430			414,335		
Private equity	205,619			194,877		
Derivative contracts	7,248			7,696		

	31 March 2017			31 March 2018		
	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
Cash		67,056			101,221	
Other investment balances	4,728			8,102		
Debtors		31			127	
	3,358,031	**67,087**	**0**	**3,498,403**	**101,348**	**0**
Financial liabilities						
Derivative contracts	(4,877)			(1,598)		
Creditors			(5,005)			(4,736)
Other investment balances	(607)			(3,458)		
	(5,484)	**0**	**(5,005)**	**(5,056)**	**0**	**(4,736)**
	3,352,547	**67,087**	**(5,005)**	**3,493,347**	**101,348**	**(4,736)**

16(e) Net gains and losses on Financial Instruments

	31 March 2017 £000s	31 March 2018 £000s
Financial assets		
Fair value through profit and loss	689,241	234,981
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial liabilities		
Fair value through profit and loss	(215,180)	(119,972)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	**474,061**	**115,009**

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 (+/-) %
Short Index-Linked Gilts	4.10%
Long Index-Linked Gilts	9.20%
UK Equities including pooled	16.80%
Overseas Equities including pooled	17.90%

Asset Type	Potential Market Movements (+/-) %
UK Bonds including pooled	9.50%
Index Linked Gilts including pooled	9.20%
Bonds including pooled	8.40%
Cash and Cash Equivalents (Including Payables and Receivables)	0.05%
Pooled & Direct Property Investments	14.30%
Private Equity	28.30%
Total	**9.30%***

* The total % is an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is also shown below):

Asset Type	Value as at 31 March 2018 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	96,860	0.05%	96,908	96,812
Investment Portfolio Assets:				
Short Index-Linked Gilts	15,467	4.10%	16,101	14,833
Long Index-Linked Gilts	11,522	9.20%	12,582	10,462
UK Equities including pooled	534,850	16.80%	624,706	444,996
Overseas Equities including pooled	1,124,503	17.90%	1,325,789	923,217
UK Bonds including pooled	795,308	9.50%	870,862	719,754
Index Linked Gilts including pooled	170,567	9.20%	186,259	154,875
Bonds including pooled	221,176	8.40%	239,755	202,597
Pooled & Direct Property Investments	414,779	14.30%	474,092	355,466
Private Equity	194,877	28.30%	250,027	139,727
Total Assets Available to Pay Benefits	**3,579,909**	**9.30%**	**3,883,343***	**3,233,499***

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
Overseas Bonds including pooled	68,345	9.00%	74,496	62,194
Index Linked Gilts including pooled	66,971	7.10%	71,726	62,216
Pooled & Direct Property Investments	373,874	14.20%	426,964	320,784
Private Equity Partnerships	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***

* The total % is an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements through its gross cash holdings as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2017 £000s	Value as at 31 March 2018 £000s
Investment Cash Balances	60,823	90,787
Cash in hand	6,233	10,434
Total	**67,056**	**101,221**

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 2018	Change in year in the net assets available to pay benefits	
	£000s	+100 BPS £000s	-100 BPS £000s
Investment Cash Balances	90,787	908	(908)
Cash in hand	10,434	104	(104)
	101,221	**1,012**	**(1,012)**

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 3.1% 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 3.1% 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 2018	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)	1,124,503	34,860	(34,860)
Private Equity	194,877	6,041	(6,041)
Change in net assets available to pay benefits		**40,901**	**(40,901)**

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 2017**	**Balances at 31 March 2017 £000s**	**Short term Rating (S&P) 31 March 2018**	**Balances at 31 March 2018 £000s**
Bank Deposit Accounts				
Standard Life Money Market Fund	AAA	3,197		
Barclays Bank PLC	A-2	3,198	A-1	3,302
Federated Money Market Fund			AAA	3,301
Bank current Accounts				
Barclays Bank	A-2	(162)	A-1	3,831
Total		**6,233**		**10,434**

The majority of Custodied Investment cash is swept overnight to the AAA rated constant NAV money market funds of the custodian(s) and one other provider (Goldman Sachs Asset Management). The credit exposure on investment cash balances at 31 March 2018 comprise £76.4 million (£60.8m) deposited with AAA rated money market funds, £2.7 million (£1.5m overdrawn) with the custodian HSBC (rated A-1+), £11.6 million (£0m) posted as variation margin to account held by HSBC and deposited overnight in the AAA money market funds detailed above.

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 2018 (2017 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 2017 £000s	**Percentage of Total Fund Assets %**	**Balances at 31 March 2018 £000s**	**Percentage of Total Fund Assets %**
572,645	16.8%	609,565	17.0%

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 2018 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 2017 £000s	31 March 2018 £000s
Actuarial present value of promised retirement benefits	4,916,000	4,999,000
Fair Value of scheme assets (bid value)	3,429,247	3,603,370
Net Liability	**1,486,753**	**1,395,630**

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 2017 %	31 March 2018 %
Inflation/Pension Increase Rate Assumption	2.4	2.4
Salary Increase Rate	2.7	2.7
Discount Rate	2.6	2.7

20. Current Assets

	31 March 2017 £000s	31 March 2018 £000s
Cash In Hand		
Cash In Hand**	**6,233**	**10,434**
Debtors:		
Contributions due - employees*	1,930	2,220
Contributions due - employers*	6,667	8,007
Employers special contributions	1,407	1,819
Augmentation & strain due	783	945
Dividends receivable**	2,680	2,920
Pooled funds rebate due**	1,705	1,740
UK tax receivable	478	749
Overseas tax receivable	545	625
VAT refund due	278	229
Interest due**	7	9
Stock lending/commission recapture**	20	0
Recharge of fees**	21	114

	31 March 2017 £000s	31 March 2018 £000s
Prepayments	4	3
Sundry**	10	13
Debtors	**16,535**	**19,393**
Current Assets	**22,768**	**29,827**

* 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 2017 £000s	31 March 2018 £000s
Long term debtors:		
Employers contributions	3,914	2,658
Augmentation & strain due	627	632
	4,541	**3,290**

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 2017 £000s	31 March 2018 £000s
Central government bodies	6,621	5,667
Other local authorities	5,885	7,009
Other entities and individuals	8,570	10,007
	21,076	**22,683**

21. Current Liabilities

	31 March 2017 £000s	31 March 2018 £000s
Creditors:		
Transfer values payable (leavers)	0	175
Benefits payable	1,422	3,702
Investment Management Fees**	2,579	2,433
Other Fees & Charges**	2,426	2,296
UK Taxation payable	1,037	1,043
Sundry creditors**	0	7
	7,464	**9,656**

** Creditors classed as financial instruments (liabilities) note 16a

Analysis of Creditors

	31 March 2017 £000s	31 March 2018 £000s
Central government bodies	1,035	1,058
Other local authorities	2,246	2,165
Other entities and individuals	4,183	6,433
	7,464	**9,656**

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 2017 £000s	Market Value 31 March 2018 £000s
Separately Invested AVC Funds	5,272	5,229

	2016-17 £000s	2017-18 £000s
AVC contributions paid directly during the year	423	654

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.

	2016-17 £000s	2017-18 £000s
Norfolk County Council incurred administration and investment costs reimbursed by the fund	2,238	2,161
Norfolk County Council Employer Contributions	42,198	43,018

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.

	2016-17 £000s	2017-18 £000s
Average investment balance held by NCC Treasury Management Operation	8,075	9,066
Interest earned on balances invested by NCC Treasury Management Operation	31	28

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.

The Administering Authority (Norfolk County Council) disclosure of senior officer remuneration includes the Executive Director of Finance and Commercial Services who has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Fund and holds the role of Fund Administrator. For 2017-18 the remuneration amount incurred by the Fund was £9,000 (£9,000 2016-17).

Remuneration is deemed to include:

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

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2017 £000s	31 March 2018 £000s
Private equity partnerships	210,163	166,012
Property investment vehicles	19,099	19,314
Pooled Debt Funds	14,032	538

At 31 March 2018 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 2018 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 31 March 2018. 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. 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 & Norfolk district councils and twenty five other employers. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below:

	31 March 2017 £000s	31 March 2018 £000s
Norfolk County Council	1,277	1,245
Norwich City Council	1,181	1,175
North Norfolk District Council	257	253
Borough Council of Kings Lynn & West Norfolk	243	241
Great Yarmouth Borough Council	199	188
Broadland District Council	106	105
Breckland District Council	101	99
South Norfolk District Council	58	57
Other	159	158
	3,581	**3,521**

- **Investment Strategy Statement and Funding Strategy Statement**

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

The Investment Strategy Statement and Funding Strategy Statement can be found on the Pension Funds website at the following location under the “Investment” and “Funding” sections:

https://www.norfolkpensionfund.org/about-us/forms-and-publications/

Alternatively a copy can be obtained from the Norfolk Pension Fund:

Norfolk Pension Fund
Floor 4 Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

Telephone: 01603 222870

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 (4 Children)	Admitted 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
Alderman Peel High	Scheduled/Resolution 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
Astley Primary	Scheduled/Resolution Body
Attleborough High School Academy	Scheduled/Resolution Body
Attleborough Town Council	Scheduled/Resolution Body
Aylsham Town Council	Scheduled/Resolution Body
Banham Community Primary School	Scheduled/Resolution Body
Barford & Wramplingham Parish Council	Scheduled/Resolution Body
Bawdeswell Community Primary School	Scheduled/Resolution Body
Beeston Primary	Scheduled/Resolution Body
Beighton Parish Council	Scheduled/Resolution Body
Belton with Browston Parish Council	Scheduled/Resolution Body
Biffa Municipal Ltd	Admitted Body
Bignold Primary and Nursery	Scheduled/Resolution Body
Bishop's Primary School	Scheduled/Resolution Body
Blenheim Park Primary School	Scheduled/Resolution Body
Blofield Parish Council	Scheduled/Resolution Body
Borough Council of King's Lynn & West Norfolk	Scheduled/Resolution Body
Bradwell Parish Council	Scheduled/Resolution Body
Breckland Council	Scheduled/Resolution Body

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
Burnham Market Primary School	Scheduled/Resolution Body
Burston Community Primary School	Scheduled/Resolution Body
Butterflies Nursery	Scheduled/Resolution Body
Buxton With Lamas Parish Council	Scheduled/Resolution Body
Caister Academy	Scheduled/Resolution Body
Castle Acre Church of England Primary School	Scheduled/Resolution Body
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
Churchill Park Academy	Scheduled/Resolution Body
City Academy Norwich	Scheduled/Resolution Body
City College Norwich	Scheduled/Resolution Body
City of Norwich School	Scheduled/Resolution Body
Clarion Housing Group	Admitted Body
Clenchwarton Primary School	Scheduled/Resolution Body
Cliff Park Ormiston Academy	Scheduled/Resolution Body
Cliff Park Schools Trust Ltd	Scheduled/Resolution Body
Cobholm Primary Academy	Scheduled/Resolution Body
Colkirk Church of England Primary School	Scheduled/Resolution Body
College of West Anglia	Scheduled/Resolution Body
Corpusty Primary School	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 Community Infant School	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 (Wymondham Academy)	Admitted Body
Edwards and Blake	Admitted Body
Edwards and Blake (Reepham High)	Admitted Body
East Coast College	Scheduled/Resolution Body
Emneth Academy	Scheduled/Resolution Body
Engage Educational Services	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Town Council	Scheduled/Resolution Body
Filby Primary School	Scheduled/Resolution Body
Firside Junior School	Scheduled/Resolution Body
Flagship Housing Group	Admitted Body
Flegg High School	Scheduled/Resolution Body
Flitcham Church of England Primary Academy	Scheduled/Resolution Body
Foulsham Primary School 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
Gaywood Primary School	Scheduled/Resolution Body
George White Junior School	Scheduled/Resolution Body
Gillingham St Michael’s Primary	Scheduled/Resolution Body
Glebeland Primary School	Scheduled/Resolution Body
Gooderstone Church of England Primary Academy	Scheduled/Resolution Body
Great Hockham Primary School and Nursery	Scheduled/Resolution Body
Great Snoring Parish Council	Scheduled/Resolution Body
Great Witchingham Church of England Primary School	Scheduled/Resolution Body
Great Witchingham Parish Council	Scheduled/Resolution Body
Great Yarmouth Borough Council	Scheduled/Resolution Body
Great Yarmouth Charter Academy	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
Gresham Village School	Scheduled/Resolution Body
Greyfriars Academy	Scheduled/Resolution Body
Grove House Nursery Primary School	Scheduled/Resolution Body
GYB Services Ltd	Scheduled/Resolution Body
Hardingham Parish Council	Scheduled/Resolution Body
Harling Parish Council	Scheduled/Resolution Body
Heacham Infant School	Scheduled/Resolution Body
Heacham Junior School	Scheduled/Resolution Body
Heart Education Trust	Scheduled/Resolution Body
Heartsease Primary Academy	Scheduled/Resolution Body
Heather Avenue Infant School	Scheduled/Resolution Body
Hellesdon High School Academy	Scheduled/Resolution Body
Hellesdon Parish Council	Scheduled/Resolution Body
Hemblington Parish Council	Scheduled/Resolution Body
Hemblington Primary School	Scheduled/Resolution Body
Henderson Green Primary Academy	Scheduled/Resolution Body
Hethel Innovation Ltd	Admitted Body
Hethersett Academy	Scheduled/Resolution Body
Highgate Infant School	Scheduled/Resolution Body
Hilgay Riverside Academy	Scheduled/Resolution Body
Hillside Avenue Primary and Nursery School	Scheduled/Resolution Body
Hindolveston Parish Council	Scheduled/Resolution Body

Hobart High School Academy	Scheduled/Resolution Body
Hockering Primary Academy	Scheduled/Resolution Body
Holt Town Council	Scheduled/Resolution Body
Hoveton Parish Council	Scheduled/Resolution Body
Hunstanton Town Council	Scheduled/Resolution Body
Iceni Academy	Scheduled/Resolution Body
Inclusive SchoolsTrust	Scheduled/Resolution Body
Independence Matters	Admitted Body
Inspiration Trust	Scheduled/Resolution Body
Inspire Education Trust	Scheduled/Resolution Body
Jane Austin College	Scheduled/Resolution Body
Kenninghall Community Primary School	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
King’s Oak Academy	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
Lionwood Infant And Nursery	Scheduled/Resolution Body
Lionwood Junior School	Scheduled/Resolution Body
Little Snoring Parish Council	Scheduled/Resolution Body
Loddon Parish Council	Scheduled/Resolution Body
Lodge Lane Infant School	Scheduled/Resolution Body
Long Stratton High School	Scheduled/Resolution Body
Lynn Grove High School (Academy)	Scheduled/Resolution Body
Magdalen Village School	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
Mattishall Primary School	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
Mundesley Parish Council	Scheduled/Resolution Body
Mundford Church of England Primary	Scheduled/Resolution Body
Nar and St Clement's Children's Centre	Scheduled/Resolution Body
Narborough Church of England Primary Academy	Scheduled/Resolution Body
NCS (Assistive Technology)	Scheduled/Resolution Body
NCS Transport Ltd	Scheduled/Resolution Body
Neatherd High School	Scheduled/Resolution Body
Nelson Academy	Scheduled/Resolution Body
New Anglia Enterprise Council	Admitted Body
New Buckenham Parish Council	Scheduled/Resolution Body
Newton Flotman Parish Council	Scheduled/Resolution Body
Norfolk Academies	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 Academy Trust	Scheduled/Resolution Body
North Norfolk District Council	Scheduled/Resolution Body
North Walsham Infant and Nursey School	Scheduled/Resolution Body
North Walsham Junior School	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
Peterhouse Primary School	Scheduled/Resolution Body
Poringland Parish Council	Scheduled/Resolution Body
Queensway Infant Academy and Nursery	Scheduled/Resolution Body
Rackheath Parish Council	Scheduled/Resolution Body
Redenhall with Harleston Town Council	Scheduled/Resolution Body
Reepham High School and College	Scheduled/Resolution Body
Reepham Primary School	Scheduled/Resolution Body
Reepham Town Council	Scheduled/Resolution Body
Reffley Community School and Nursery	Scheduled/Resolution Body
Right for Success Academy Sponsorship Trust	Scheduled/Resolution Body
RM Education	Admitted Body
Rockland St Mary Primary School	Scheduled/Resolution Body
Rudham Church of England Primary School	Scheduled/Resolution Body
Runcton Holme Church of England Primary School	Scheduled/Resolution Body
Saffron Housing Trust Limited	Admitted Body
Salhouse Parish Council	Scheduled/Resolution Body
Saxlingham Nethergate Parish Council	Scheduled/Resolution Body
Scoulton Parish Council	Scheduled/Resolution Body
Sculthorpe Church of England Primary School	Scheduled/Resolution Body
Seething and Mundham Primary School	Scheduled/Resolution Body
Serco Government Services	Admitted Body
Sewell Park Academy	Scheduled/Resolution Body
Sheringham High School (Academy)	Scheduled/Resolution Body
Sheringham Town Council	Scheduled/Resolution Body
Short Stay School for Norfolk	Scheduled/Resolution Body
Sir Isaac Newton Free School	Scheduled/Resolution Body
Smithdon High School	Scheduled/Resolution Body
Snettisham Parish Council	Scheduled/Resolution Body
Snettisham Primary School	Scheduled/Resolution Body

South Norfolk District Council	Scheduled/Resolution Body
South Walsham Parish Council	Scheduled/Resolution Body
South Wootton Parish Council	Scheduled/Resolution Body
Southery & District Internal Drainage Board	Scheduled/Resolution Body
Southery Academy	Scheduled/Resolution Body
Spixworth Parish Council	Scheduled/Resolution Body
Spooner Row Primary School	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston Community High School	Scheduled/Resolution Body
Sprowston Town Council	Scheduled/Resolution Body
St Andrews Primary School	Scheduled/Resolution Body
St Augustine’s Catholic Primary School	Scheduled/Resolution Body
St Clements HS Academy	Scheduled/Resolution Body
St Edmunds Academy	Scheduled/Resolution Body
St Francis of Assisi Catholic School	Scheduled/Resolution Body
St Germans Primary School	Scheduled/Resolution Body
St John the Baptist Catholic Multi Academy Trust	Scheduled/Resolution Body
St Martin at Shouldham Church of England Primary Academy	Scheduled/Resolution Body
St Mary & St Peter Catholic Primary School	Scheduled/Resolution Body
St Mary's Church of England Junior School (Academy)	Scheduled/Resolution Body
St Michael's Church of England Academy (King's Lynn)	Scheduled/Resolution Body
St Peter & St Paul Carbroke Church of England Primary Academy	Scheduled/Resolution Body
St Peters Church of England Primary Academy	Scheduled/Resolution Body
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
Surlingham Community Primary School	Scheduled/Resolution Body
Swaffham Church of England Junior School	Scheduled/Resolution Body
Swaffham Town Council	Scheduled/Resolution Body
Swannington with Alderford and Little Witchingham Parish 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
The Wensum Trust	Scheduled/Resolution Body
The Wherry Trust	Scheduled/Resolution Body
Thetford Academy	Scheduled/Resolution Body
Thetford Free School	Scheduled/Resolution Body
Thetford Town Council	Scheduled/Resolution Body
Thomas Bullock Primary	Scheduled/Resolution Body
Thompson Primary School	Scheduled/Resolution Body
Thorpe St Andrew School and 6th Form	Scheduled/Resolution Body
Thorpe St. Andrew Town Council	Scheduled/Resolution Body
Thurlton Primary School	Scheduled/Resolution Body
Tilney All Saints VC Primary School	Scheduled/Resolution Body
Tivetshall Community 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
Village Green Children’s Centre	Scheduled/Resolution Body
Village Green Nursery	Scheduled/Resolution Body
Walpole Cross Keys Primary School	Scheduled/Resolution Body
Walsingham Parish Council	Scheduled/Resolution Body
Watton Town Council	Scheduled/Resolution Body
Watton Westfield Infant & Nursery School	Scheduled/Resolution Body
Wayland High School Academy	Scheduled/Resolution Body
Wayland Junior Academy	Scheduled/Resolution Body
Weasenham Church of England Primary School	Scheduled/Resolution Body
Weeting VC Primary School	Scheduled/Resolution Body
Wells-Next-The-Sea Primary and Nursery 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

Wimbotsham and Stow Community School	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
Wroxham Parish Council	Scheduled/Resolution Body
Wymondham Academy College	Scheduled/Resolution Body
Wymondham High Academy	Scheduled/Resolution Body
Wymondham Town Council	Scheduled/Resolution Body

Glossary of Terms

ACCOUNTING 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 2017-18**
Date of meeting:	**31 July 2018**
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 2017-18 financial statements of Norfolk County Council and the Norfolk Pension Fund.

Executive summary

This report introduces the letters of representation of Norfolk County Council and of Norfolk Pension Fund for 2017-18.

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations.

Recommendation

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 letters attached on behalf of the Council.

1. Introduction

1.1 Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations.

1.2 One letter covers the Norfolk County Council statement of accounts and is attached as an appendix to this report. A second letter covers the Norfolk Pension Fund only and has been endorsed by the Norfolk Pensions Committee.

1.3 The auditors require that the letters are signed by persons with specific responsibility for the financial statements, which for this Council is the Executive Director of Finance and Commercial Services, and formally acknowledged as being correct by “those charged with governance” by being signed by:

- the Chairman of the Audit Committee in the case of the Norfolk County Council letter, and by
- the Chairman of the Audit Committee and the Chairman of the Pensions Committee in respect of the Pension Fund.

1.4 The County Council has delegated responsibility for approving the Statement of Accounts and endorsing the letters of representation to the Audit Committee. The letters are dated 31 July 2018 to coincide with this meeting.

2. Evidence

2.1 The text of a Letter of Representation for the Council is attached as Appendix 1 and for Norfolk Pension Fund as Appendix 2. Any necessary late changes made as a result of audit requirements will be tabled and explained at the meeting.

2.2 The wording of the letter has been amended since last year: wording throughout has been updated to make it clear that its representations refer to the Group consolidated accounts as well as the Council's financial statements; item B4 has been made more specific in relation to disclosure of any fraud or non-compliance with laws and regulations; and item K "Use of the Work of a Specialist – Property, Plant and Equipment" has been added. This covers the work of NPS Property Consultants in their role as the Council's property valuers for accounting purposes.

2.3 Sections on accounting estimates and segmental reporting have been removed as they are no longer required.

2.4 Following a report to the Pensions Committee on 26 June 2018 "Draft Pension Fund Annual Report and Accounts", the Pensions Committee endorsed the Pension Fund Letter of Representation. No changes to the text of this letter have been made since the draft presented to that meeting.

2.5 The Executive Director of Finance and Commercial Services has written the letters in accordance with audit requirements following consultation with Departmental Chief Officers.

3. Financial Implications

3.1 The Letters of Representation are part of the External Audit requirements for the 2017-18 Statement of Accounts and are consistent with the Statement of Accounts introduced elsewhere on this agenda.

3.2 Item A(5) in the Council's Letter of Representation states that the affects of unadjusted audit differences summarised in the Audit Results Report are immaterial to the financial statements. The items relate to PFI forecast payments, and group pension liabilities. Neither item affects earmarked reserves or general balances. The differences are the result of:

- Norse's share of a decrease in the net group pension liability, amounting to £1.6m has not been adjusted. The revised net liability was calculated after the draft accounts were published, and no adjustment has been made for the change due to its immateriality in the context of the group accounts.
- the internal rate of return underpinning the calculations of future PFI payments calculations are based on indexed projections,

whereas the Code requires the use of unindexed figures. Related to this the auditors have advised the exclusion of management costs from the model used for accounting purposes. Although the estimated impact in years 2-15 is that interest payable is over-stated by £9.2m, and payments understated by £5.6m respectively, the accounts have not been adjusted due to the complexity of both the calculations and the underlying historic financial models. The changes will be fully implemented for 2018-19 and beyond.

Further details can be found in the Audit Results Reports elsewhere on the agenda. There are no unadjusted errors in the Pension Fund accounts.

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 on the deadline of 31 July 2018.

Officer Contact

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

Name	Telephone	Email
Simon George	01603 222400	simon.george@norfolk.gov.uk
Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

IN TRAN communication for all

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

Appendix 1

Letter of Representation (Norfolk County Council) 2017-18

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

31 July 2018

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 2018.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the financial position of the Group and Council financial position as of 31 March 2018 and of its financial position (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

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 2017-18 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, 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. The reasons for not adjusting are as follows:
    a. Adjustment to the net group pension liability: no adjustment has been made for the change due to its immateriality in the context of the group accounts.
    b. PFI and similar contracts – disclosure of future payments: the accounts have not been adjusted due to the complexity of both the calculations and the underlying historic financial models. The changes will be fully implemented for 2018-19 and beyond.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:
    a. involving financial statements;

b. related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;

c. related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;

d. involving management, or employees who have significant roles in internal controls, or others; or

e. in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 31 July 2018.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
5. We believe that the significant assumptions that we have used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately

reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in the relevant notes to the consolidated and Council's financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

F. Group Audits

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

G. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Norfolk County Council Statement of Accounts 2017-18.
2. We confirm that the contents contained within the other information is consistent with the financial statements.

H. Going Concern

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

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

J. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the usable and unusable reserves.

K. Use of the Work of a Specialist – Property, Plant and Equipment

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures

included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Valuation of Property, Plant and Equipment Assets

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
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 2017-18.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events.
5. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
6. We confirm that for assets carried at historic cost, no impairment is required.

M. Retirement Benefits

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

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

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

O. Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
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 2017-18.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events.

Yours faithfully

Simon George, Executive Director of Finance and Commercial Services

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I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 31 July 2018

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Appendix 2

Letter of Representation (Norfolk Pension Fund) 2017-18:

Endorsed by 26 June 2018 Pensions Committee

Mark Hodgson
Associate Partner
Ernst & Young LLP
One Cambridge Business Park,
Cowley Road, Cambridge,
CB4 0WZ

Please contact Robert Mayes
Address Norfolk Pension Fund
4th Floor Lawrence House
5 St Andrews Hill
Norwich NR2 1AD
Email **robert.mayes@norfolk.gov.uk**
Telephone 01603 222870

31st July 2018

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 2018. 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 2018 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2018, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 (See Note B)

A1. That we have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

A2. That we confirm that the Fund is a Registered Pension Scheme. That we are not aware of any reason why the tax status of the scheme should change.

A3. That we acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018, and are free of material misstatements, including omissions. We have approved the financial statements.

A4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

A5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 that are free from material misstatement, whether due to fraud or error.

A6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

B1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

B2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

B3. 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.

B4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

B5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

B6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund’s financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

C1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

C2. You have been informed of all changes to the Fund rules.

C3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

C4. You have made available to you all minutes of the meetings of the Pension and Audit held through the year to the most recent meeting on the following date: 26 June 2018 for the Pension Fund Committee and 31 July 2018 for the Norfolk County Council Audit Committee.

C5. You confirm the completeness of information provided regarding the identification of related parties.

C6. We have disclosed to you the identity of the Fund’s related parties and all related party relationships and transactions of which 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.

C7. 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.

C8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

C9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

D1. 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.

D2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

D3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

D4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

E1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

F1. We acknowledge our responsibility for the preparation of the other information. The other information comprises The Norfolk Pension Fund Annual Report and Accounts 2017/2018.

F2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

G1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

H1. We confirm that all investments in derivative financial instruments have been made after due consideration by the [members of the management of the Fund] of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

H2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I - Pooling investments, including the use of collective investment vehicles and shared services

I1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

J1. The latest report of the actuary Hymans as at 31 March 16 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.

K. Use of the Work of a Specialist

K1. We agree with the findings of the specialists that we have engaged to value Private Equity Investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates – Valuation of Investments

L1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA

LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

L2. 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.

L3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

L4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

M. Specific Representations

M1. You do not require any specific representations in addition to those above.

Yours faithfully,

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(Executive Director of Finance and Commercial Services)

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(Chairman of the Pension Committee)

____

(Chairman of the Audit Committee)

Audit Committee

Item No.

Report title:	**Counter Fraud, Bribery and Corruption Annual Report 2017-18**
Date of meeting:	**31 July 2018**
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

The 2017/18 NCC Anti-Fraud, Bribery and Corruption Policy, Strategy and Activity Plan was agreed by the former Chief Legal Officer and approved by the Audit Committee in September 2017.

At Appendix A is an annual report in respect of the counter fraud activity undertaken by NAS during the reporting period 1 July 2017 – 31 March 2018.

The purpose of the annual report is to provide an annual summary against the criteria set out in the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017) (The Strategy), based upon the work undertaken during the reporting period in accordance with the agreed activity plan.

Key messages are:

- Overall there has been satisfactory progress with the activity plan for the 2017-18 year to support the Council's strategy for this topic. There are sixteen green rated criteria in the plan, three untested at this stage and four amber rated criteria.
- There have been a moderate number of cases requiring consideration and satisfactory outcomes have been achieved for all of those that required a formal investigation.
- The scope of the potential losses to fraud/error is calculated at £20,160 of which £20,160 has been or will be recovered.

Recommendations:
Committee Members are asked to:

- Note the content of the Anti-Fraud, Bribery and Corruption Annual Report 2017-18 (Appendix A)

1. Introduction

Anti-Fraud, Bribery and Corruption Annual Report 2017-18

1.1. **See Appendix A**

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

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

Support : **Andrew Reeve** **Tel No. :** 01603 222746

Email address : andrew.reeve@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 0344 800 8011 (textphone) and we will do our best to help.

Norfolk County Council

APPENDIX A

NAS Anti-Fraud, Bribery and Corruption Annual Report 2017-18

Date	31 July 2018

1. Executive Summary

Overall there has been satisfactory progress with the activity plan for the 2017-18 year to support the Council's strategy for this topic. There are sixteen green rated criteria in the plan, three untested at this stage and four amber rated criteria.

There have been a moderate number of cases requiring consideration and satisfactory outcomes have been achieved for all of those that required a formal investigation.

The scope of the potential losses to fraud/error is calculated at £20,160 of which £20,160 has been or will be recovered. Further details can be found in section 5 of this report.

2. Introduction

The purpose of this annual report is to provide an annual summary against the criteria set out in the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017) (The Strategy), based upon the work undertaken during the reporting period and in accordance with the agreed activity plan.

The 2017/18 NCC Anti-Fraud, Bribery and Corruption Strategy and Activity Plan was agreed by the former Chief Legal Officer and approved by the Audit Committee in September 2017.

The Strategy sets out and provides NCC's anti-crime goals and information on NCC's response to the document: 'Fighting Fraud and Corruption Locally, The local government counter fraud and corruption strategy 2016 – 2019' (FFCL).

To enable NCC to direct the anti-crime goals into an actionable activity plan, 23 criteria were created forming part of the strategy with the intention of embedding a counter-fraud culture within NCC.

The activity plan outlined the core Anti-Fraud activities to be undertaken in line with the criteria set out in the Strategy. Due to prioritising ongoing investigation work and as allowed for in the agreed strategy, some of the planned activities have been carried forward to subsequent plans.

3. Assessment

The aim of the Strategy is to ensure that a robust counter fraud, bribery and corruption provision is embedded throughout NCC. To assist with achieving that aim, we have undertaken an annual assessment of performance against the criteria as set out in the Strategy.

For each of the criteria, a rating has been provided using the RAG system along with any narrative to support the rating:

Where a RED rating is provided: There is little or no evidence that the criteria have been met.

Where an AMBER rating is provided: There is some evidence of activities towards meeting the criteria, however this may still be in progress or improvements are required to improve the provision.

Where a GREEN rating is provided: There is sufficient evidence to support and justify the rating.

Section 4 of this report provides a summary of the assessment findings that did not achieve a green rating along with a plan of the actions necessary to achieve a green rating in the future.

Where areas have not been tested due to the infancy of the program, this has been noted in the full assessment report at Appendix 1, along with any areas currently in progress

There are no criteria that have been rated as red.

4. Summary of Findings

Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.

Criteria	RAG Score	Action	By When/Who
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.	**AMBER**	Establish working protocols for the reporting of fraud, bribery and corruption risks with key departments	**December 2018** **Investigative Auditor**

Norfolk County Council

Acknowledge - Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Criteria	RAG Score	Action	By When/Who
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.	**AMBER**	Review amend related policies to ensure promotion the anti-fraud arrangements within NCC.	**October 2018** **Investigative Auditor**
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	**AMBER**	Undertake a staff survey to test knowledge of NCC fraud controls.	**October 2018** **Investigative Auditor**
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.	**AMBER**	As a result of the recent internal audit, a working group has been set up with a remit to strengthen the reporting mechanisms in place for the declaring of interests/gifts and hospitality and how this will be monitored going forward.	**December 2018** **Declarations of Interest working group.**

Full details of the key activities undertaken in the strategic anti-fraud areas of Govern, Acknowledge, Prevent, Pursue, are provided in Appendix 1 of this report.

5. Reactive Investigation Update

The below table provides a summary of the cases considered or investigated during the financial year.

There have been a moderate number of cases requiring consideration and satisfactory outcomes have been achieved for all of those that required a formal investigation.

The scope of the potential losses is calculated at £20,160 of which £21,160 has been or will be recovered.

The "**Fraud Detected**" column represents cases that resulted in either a sanction/redress or other corrective action to mitigate the risk of reoccurrence:

Cases ongoing from 2016/2017	**Total referrals received 2017/2018**	**Cases closed – Fraud/error Detected**	**Cases closed – No Further action**	**Total cases on-going**
0	15	9	5	1

From the referrals received:

- 7 Cases related to external fraudulent activity on income accounts.
- 3 cases related to Norfolk Schools.
- 3 cases related to internal matters.
- 2 cases related to members of the public.

The below table provides a summary of cases where fraud or error was detected

Fraud Area	Summary	Value (actual and forecast)	Sanctions and Redress
Cyber Crime s2 – Fraud Act 2006 Fraud by False Representation.	7 – Cases detected. NCC operates a bank account where service users are able to make payments for various NCC services. As such the sort code and account number is published. A number of direct debits were initiated on the NCC operated bank accounts for vehicle tax related to vehicles that did not belong to NCC, as a result NCC	£2,160.00 (forecast annual fraud loss)	Full recovery of losses through indemnity. Reported to Action Fraud Reported to DVLA Controls added to prevent re-occurrence.

	suffered an immediate loss of £180.00. Should the fraud have been undetected, losses of £2160.00 per annum would have accrued. The potential fraud was detected by the Banking and Treasury team and action taken to prevent re-occurrence. Further fraud attempts have been identified and prevented by the new controls mechanisms demonstrating they are robust.		
Assets s3 – Fraud Act 2006 Failure to Disclose Information	Allegation that a subject held assets over and above the threshold for receiving funded services from NCC and failed to disclose this. Investigation of this matter found that the subject was in control of assets over and above the threshold for funded services.	£14,000.00 Actual losses accrued	Full recovery of losses. Not viable for criminal prosecution. Work ongoing to mitigate re-occurence
Staff Salaries s3 – Fraud Act 2006 Failure to Disclose Information	Allegation that subject was receiving salary via 2 payment channels whilst working for NCC. Investigation of this matter found that although NCC had suffered a loss, the subject of the investigation may not have been aware of the overpayment during the timeframe and therefore; the additional payments have been regarded as an error.	£4,000.00 Actual losses accrued	Full recovery of losses. Not viable for criminal prosecution.

Norfolk County Council

Contact

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

Officer name:	**Adrian Thompson**	**Tel No.:**	01603 222784
Email address:	adrian.thompson@norfolk.gov.uk		
Support:	**Andrew Reeve**	**Tel No.:**	01603 222746
Email address:	andrew.reeve@norfolk.gov.uk		

APPENDIX 1 – Full Assessment.

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.

Rating: GREEN

Updates and progress reports in respect of Anti-Fraud matters have been provided to the Chief Legal Officer, Executive Director of Finance and Commercial Services and the Audit Committee throughout the reporting period. The updates and reports included:

- The agreement and planning of activities
- Progress against agreed activities
- Investigation updates and outcomes
- Emerging fraud risks
- External reports regarding wider/national anti-fraud activity

Documented strategic support from those tasked with overseeing NCC's Anti-Fraud arrangements can be evidenced via minutes of relevant meetings, executive emails in support of specific tasks, attending meetings, agreed actions from audit reports and the sponsoring of investigations. In doing so, a demonstrable support for NCC's Anti-Fraud arrangements can be evidenced and therefore this criteria is rated as green.

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.

Rating: IN PROGRESS

A Strategic Fraud Risk Assessment has been commenced.

The purpose of the assessment is to provide assurance that the strategic fraud prevention arrangements in place at the Council are robust and fit for purpose and identify areas for improvement.

Upon completion of the assessment it is intended that targeted reviews will be undertaken in areas of locally and nationally identified risk.

The assessment will include a review against the Public Sector Internal Audit Standards Advisory Board (IASAB) briefing paper: The Internal Role In Counter Fraud and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The results of the assessment will be provided to the Audit Committee.

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.

Rating: GREEN

The aim of the of the NCC Anti-Fraud, Bribery and Corruption Strategy is to ensure that a robust counter fraud, bribery and corruption provision is embedded throughout NCC.

To assist with achieving that aim, an annual assessment of performance against the criteria as set out in the Strategy is undertaken.

For each criteria, a rating is provided using the RAG system along with any narrative to support the rating. Where appropriate, actions necessary to enhance the provisions are recommended.

This criteria is therefore rated as green

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.

Rating: GREEN

The Chief Internal Auditor holds the CIPFA Certificate in Investigative Practices. The Investigative Auditor is an Accredited Counter Fraud Specialist (University of Portsmouth).

The accredited staff have undertaken a range of anti-fraud activities during the reporting period as agreed and directed within the activity plan as follows.

- Adhoc Criminal and Disciplinary investigations.
- Attending hearings
- Reviews and updates of policies and procedures
- Management and member reporting
- Attending conferences and meetings
- Liaison activities with key personnel
- Completing external surveys and applications for national pilot projects
- Contributing to the wider Norfolk counter fraud arena
- Contributing to the audit plan in respect of counter fraud activity
- Publishing articles via the NCC intranet
- Designing and implementing a fraud eLearning program
- Taking part in the National Fraud Initiative (NFI)
- Making anti-fraud presentations to key departments
- Research and development of Computer aided Audit tools (Data Analytics)

The above activities can be evidenced during the period and contribute to the criteria as set out in the strategy and therefore this criteria is rated as green.

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.

RATING: GREEN

Counter fraud staff can demonstrate attendance at conferences and meetings held in connection with the LGA, DCLG and CIPFA where updates and advice guidance is provided in respect of anti-fraud legislation and best practice. Furthermore, counter fraud staff are members of relevant forums and groups. Where appropriate, information and emerging fraud risks received through this activity is discriminated to relevant personnel

The investigative auditor (IA) is member of the Association of Certified Fraud Examiners (ACFE) where regular updates are provided in respect of new and current anti-fraud legislation and investigation techniques.

During the period the Investigative Auditor has met with CIPFA's head of fraud and discussed the potential for joint working in respect of data analytics.

The above activities can be evidenced during the period and contribute to the criteria as set out in the strategy and therefore this criteria is rated as green.

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.

Rating: AMBER – Action required.

The NCC anti-fraud, bribery and corruption policy sets out the requirements for the reporting of fraud and bribery concerns. The policy has been updated during the reporting period, published on the NCC website and made available to all stakeholders.

Regular meetings and liaison are undertaken between counter fraud staff and key personnel where the policy and reporting lines for fraud and bribery concerns are promoted. Furthermore, articles and emails are disseminated periodically communicating updated information and emerging fraud risks.

To ensure that the communication arrangements are robust, it is recognised that NCC could benefit by implementing working protocols for the reporting and escalating of fraud risks and referrals from key departments such as:

- Procurement
- Human Resources
- Payroll
- Security Services
- Complaints

This activity has been programmed as part of the current activity plan however has not yet been completed due to operational priorities and therefore rated as amber.

Action: Draft working protocols and agree with relevant departments.
To be completed by: Investigative auditor.
By: December 2018

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.

Rating: GREEN

Counter fraud staff can demonstrate attendance at conferences and meetings and training courses held in connection with the LGA, DCLG CIPFA and the IIA where updates and advice guidance is provided in respect of anti-fraud legislation and best practice. Furthermore, counter fraud staff are members of relevant forums and groups.

The Chief Internal Auditor can demonstrate strategic and operational support in respect of CPD matters and therefore this criteria is rated green.

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 these 23 criteria (as set out in the strategy) 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.

Rating: GREEN

NAS has developed an 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).

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.

Rating: GREEN

The NCC Anti-fraud, Bribery and Corruption Policy was updated and reviewed in August 2017 and approved by the Audit Committee in September 2017.

The policy has been published in the Internet and articles have been circulated in the NCC publication; Norfolk Manager, promoting the policy.

Furthermore, the provisions of the policy form part of a new eLearning program which is being disseminated on a departmental basis and therefore this criteria is rated green.

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.

Rating: AMBER – action required

The key policies within NCC that have been identified as pertinent to this criteria are:

- The Anti-Fraud, Bribery and Corruption Policy
- Code of Conduct and Behaviour Policy
- Whistleblowing Policy

The Anti-Fraud, Bribery and Corruption Policy specifies the reporting lines for fraud concerns and references the related policies as per the criteria.

Although the related policies bare some references to fraud, the NCC reporting lines for fraud and bribery concerns and links to the Anti-Fraud, Bribery and Corruption Policy are not currently promoted within the policies and therefore this criteria is rated as amber.

Action: Review amend related policies to promote the anti-fraud arrangements within NCC.
To be completed by: Investigative auditor.
By: October 2018

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.

Rating: AMBER – action required

The Anti-Fraud, Bribery and Corruption Policy sets out the NCC policy and procedure for the reporting of Fraud and Bribery concerns. The policy states that all suspected fraud should be reported to either; The Chief Internal Auditor, The Chief Legal Officer or via the NCC Whistleblowing arrangements.

During the reporting period the policy has been promoted via articles on the intranet and published on counter fraud page of the NCC external website so that all stakeholders are able to access the policy.

Although some staff awareness activity has taken place during the reporting period via the elearning, further testing is required and therefore this criteria has been rated amber.

Action: Undertake a staff survey to test knowledge of NCC fraud controls.
To be completed by: Investigative auditor.
By: October 2018

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.

Rating: IN PROGRESS

The NCC Conduct and Behaviour Policy sets out clearly the expectation on staff to declare any conflicts of interests and gifts/hospitality received.

Staff awareness of the policy and reporting requirements is ongoing via available eLearning.

A recent audit has identified that the mechanisms in place for the reporting, recording and monitoring require strengthening and therefore this criteria is rated as amber.

Action: As a result of the recent audit, a steering group has been set up with a remit to strengthen the reporting mechanisms in place for the declaring of interests/gifts and hospitality and how this will be monitored going forward.

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.

Rating: IN PROGRESS

An eLearning program has been developed during the reporting period designed to provide knowledge on the Fraud Act 2006, the Bribery Act 2010, the reporting lines for concerns and the requirements of the Conduct and Behaviour Policy.

The eLearning tests staff knowledge of the topics covered and a staff survey is being developed to regularly assess staff knowledge and direct proactive anti-fraud awareness activity.

The eLearning is being rolled out to key (then all other) staff and therefore this criteria is rated as amber.

Action: Continue to roll out the eLearning program to departments.

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.

Rating: GREEN

By keeping up to date with relevant publications and being members of bodies such as the ACFE, CIPFA, IIA and LGA, those responsible for the counter fraud arrangements at NCC are periodically updated with new and emerging fraud, bribery and corruption risks.

Furthermore, fraud risks are identified via the audit program and also the reporting mechanisms in place within NCC.

Where new fraud risks are identified NCC are able to demonstrate instances where circulation of the risks to the relevant departments have been circulated along with follow-up meetings and action points arising and therefore this criteria is rated as green.

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.

Rating: Untested during the period.

This criteria has not been subject to specific counter fraud review during the period and will form part of future anti-fraud, bribery and corruption activity plans.

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.

Rating: IN PROGRESS

An audit has been agreed with the Head of Procurement during the 2018/2019 financial year covering the areas of this criteria.

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.

Rating: Untested during the period.

This criteria has not been subject to specific counter fraud review during the period and will form part of future anti-fraud, bribery and corruption activity plans.

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.

Rating: Untested during the period.

This criteria has not been subject to specific counter fraud review during the period and will form part of future anti-fraud, bribery and corruption activity plans.

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

Rating: GREEN

External consultants have been commissioned during the previous reporting period to undertake work in relation to cybersecurity and make recommendations to enhance the provision in place.

Testing is undertaken by IMT on a regular basis to test NCC systems for external vulnerabilities and; internal risks included phishing email tests to evaluate staff awareness of fraudulent cyber related crime.

Regular updates and awareness communication are issued and published around NCC relating to cyber-crime activity, including fraud.

The audit team undertake follow-up work and reviews of the external consultant’s recommendations to ensure they have been implemented.

Although it has been identified by the audit team during the period that some recommended actions remain outstanding, the processes in place to monitor and audit this risk area during the period have been robust and therefore rated as green.

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.

Rating: GREEN

As the NCC Anti-Fraud, Bribery and Corruption Policy sets out the reporting lines staff must use where fraud or bribery concerns are identified.

All referrals received are recorded and files created containing the relevant information and evidence which can be referred to by the appropriate personnel for intelligence purposes and review.

The levels of referrals and investigations undertaken are regularly reported to the audit committee for review and discussion.

This criteria is therefore rated green.

21. Research and development activities are undertaken periodically to assess and implement measures for preventing and detecting fraud and corruption through the use of technology across NCC's service lines.

Rating: GREEN

Specific work has been undertaken during the period to research the use of technology to prevent and detect fraud including:

- Working with the Head of IMT and collaborating with partner councils to research a counter fraud hub for detecting fraud.
- Researching data analytics systems to review mass data for preventing and detecting fraud.
- Researching internal capability for technology based fraud prevention tools.

From the research undertaken, testing is now being undertaken to create internal screening capabilities for prevention and detection relating to adult social care payments and therefore this criteria s rated green.

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.

Rating: GREEN

The Anti-Fraud, Bribery and Corruption Policy states that:

- Disciplinary procedures will be initiated where an employee is suspected of being involved in a fraudulent or illegal act.
- The civil recovery route is also available to NCC if this is cost-effective and desirable for deterrence purposes.
- Criminal investigations are primarily used for dealing with any criminal activity. The main purpose is to determine if activity was undertaken with criminal intent.
- 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.

  Where referrals are made regarding staff at the council that may be indicative of fraud, these are referred to the Disciplinary Advisory Review Group (DARG) where the above options are considered and authorised. The group will invite the relevant specialists and officers to attend to ensure that the case is assessed currently and therefore this criteria is rated as green

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.

The Chief Internal Auditor holds the CIPFA Certificate in Investigative Practices. The Investigative Auditor is an Accredited Counter Fraud Specialist (University of Portsmouth).

Where it is implied allegations have a financial element, they are forwarded the Chief Internal Auditor for review and initial assessment.

Where an investigation is required under the NCC disciplinary policy, the collection of evidence is considered in line with the Police and Criminal Evidence Act 1984 where required.

Therefore this criteria is rated green.

Audit Committee

Item No ____

Report title:	**Deputy Monitoring Officer's Annual Report 2017/18**
Date of meeting:	**31 July 2018**
Responsible Chief Officer:	**Chief Legal Officer**

Strategic impact

The Audit Committee considers matters of Governance in accordance with its terms of reference, which are part of the Council's Constitution, part 4.1 (4.4). (page 11).

Executive Summary

The Deputy Monitoring Officer's Annual Report summarises the internal governance work carried out by the Monitoring Officer and Deputy Monitoring Officer in 2017/8 and provides assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer, is adequate and effective. This annual report supports the assurance statements included in the draft Annual Governance Statement for 2017/18 (the "Annual Governance Statement").

The key messages in the Monitoring Officer's report include:

- that there have been no 'reportable incidents' during the period 2017/18;
- that the systems of internal control administered by the Monitoring Officer were adequate and effective during 2017/18 for the purposes of the latest regulations;
- an audit of arrangements for the Declarations of Interest for staff revealed a need for some action. An action plan has been agreed and is being implemented.
- that there were no findings of breach of the Council's Code of Conduct during 2017/18.

Recommendation

The Audit Committee is requested to note the contents of the report and in particular the key messages in the above Executive Summary and **Appendix A** section 2.1.

1 Proposal

1.1 The proposal is shown at the Executive Summary above.

2 Evidence

2.1 The Deputy Monitoring Officer's Annual Report for 2017-18 is presented at **Appendix A.**

3 Financial Implications

There are no specific financial implications to report.

4 Issues, risks and innovation

Section 17 Crime and Disorder Act 1998

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 The Monitoring Officer's work helps to deter crime, and/or make crime difficult, increasing the likelihood of detection and prosecution and thereby disincentivising crime.

5 Background

5.1 Officers have considered all the implications which Members should be aware of. Apart from those listed in the report, there are no other implications to take into account.

Officer Contact

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

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Deputy Monitoring Officer's Annual Report 2017/18

Section Numbers	Contents
1	Introduction
2	Key messages
3	Results of the Monitoring Officer's work in 2017/18
4	Review of effectiveness of systems of Internal Audit
5	Governance Statement
6	Section 17 Crime and Disorder Act
7	Overall opinion on the adequacy and effectiveness of the Governance framework

1. Introduction

1.1 The Deputy Monitoring Officer’s Annual Report summarises the more significant activities of the Monitoring Officer in 2017/18 and comments on other current issues relevant to the Monitoring Officer’s work for the County Council.

1.2 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership. In this respect, Norfolk County Council recognises the need for sound corporate governance arrangements and over the years has put in place policies, systems and procedures designed to achieve this. The Council’s Code of Corporate Governance has been refreshed in line with CIPFA’s latest guidance and was approved by the Policy and Resources Committee on 26 March 2018. The Code brings together the Council’s Governance and Standards in one place and supports the Council’s Constitution. The Code is referenced in the Council’s Annual Governance Statement, which is published each year and subject to external audit scrutiny.
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1.3 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and has a number of statutory functions in addition to those more recently conferred under the Local Government Act 2000 and the Local Government and Public Involvement in Health Act 2007 and subsequent regulations governing local investigations into member conduct. The current standards regime came into effect with the introduction of the Localism Act in 2011 and subsequent implementing regulations that came into force during 2012/13.

2. Key messages

2.1 The key messages to note from the year are:

- There have been no ‘reportable incidents’ during the period 2017/18.

- That the systems of internal control administered by the Monitoring Officer including compliance with the Code of Corporate Governance and the Council’s Constitution were adequate and effective during 2017/18 for the purposes of the latest regulations.

- The Council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

- The County Council publishes on its website a summary of Members' declared interests, all the authority's expenditure over £500 and the expenses of Chief Officers.

- The Council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training and has put in place arrangements for monitoring compliance with standards of conduct across the Council including:

    - Standards of conduct and behaviour for officers

- Code of Conduct for Members
- Register of Disclosable Pecuniary Interests
- Register of gifts and hospitality
- Complaints procedure

- Following the May 2017 elections all Members completed a declaration of Disclosable Pecuniary Interests. These updates were loaded onto the website.

- Following the May 2017 elections training on the Code of Conduct and registration and declaration of interests was made available to all Members.

- The Council can demonstrate that generally Members and staff exhibit high standards of personal conduct. During 2017/18 the number of standards complaints was low (as it was in 2016/17) and no hearings of the Standards Committee were required.

- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers.

- In accordance with the Anti-Fraud, Bribery and Corruption Annual Activity Plan 2017-18 (1 October 2017 - 31 March 2018 Period) approved by the Audit Committee on 21 September 2017, an audit of arrangements for the Declarations of Interest for staff was conducted and reported to the Council's Leadership Team in May 2018.

- The audit did not disclose any actual or indication of any wrongdoing. However, sufficient assurance could not be gained that robust processes are in place to ensure that all potential conflicts of interests are declared, recorded and monitored to ensure that NCC can demonstrate openness and transparency about situations where conflicts arise or may have arisen.

- The audit revealed that some departments had positive and robust processes in place for declaring, recording and monitoring potential conflicts of interest but a more systematic approach to eliciting and monitoring this information is recommended. Consequently, a working group has been established by the Deputy Monitoring Officer with representatives from each Directorate and Norfolk Audit Services take forward the recommendations of the audit report, in particular to raise awareness of the NCC Standards of Conduct and Behaviour Policy which requires staff to declare potential conflicts of interest, promote the consistent recording of potential conflicts of interests and the ongoing monitoring of these. The working group should complete its tasks by 31 November 2018.

- The Audit Committee receives an annual update on the Council's counter fraud and corruption policy applying to all aspects of the Council's business. There are effective arrangements for receiving and acting upon fraud and corruption concerns and disclosures from members of the public.

- The Council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct and fraud and corruption.

- The County Council's Anti-Fraud and Corruption Operational Strategy was updated to reflect changes in law and practice, and was approved by the Audit Committee in September 2017.

- There is a whistleblowing policy which is publicised and demonstrates the Council's commitment to providing support to whistle-blowers and has been communicated to staff and those parties contracting with the council. The Council can demonstrate its staff, and staff within contracting organisations, have confidence in the whistleblowing arrangements and feel safe to make a disclosure.

- nplaw, the legal service for the County Council, achieved reaccreditation of the Law Society's Lexcel quality standard in April 2018 and has arrangements in place to ensure the quality of the service provided.

- Money laundering requirements as stipulated in the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002 have been fully met.

3. Results of the Monitoring Officer's work in 2017/18

3.1 In order to ensure the effective undertaking of her responsibilities, the Monitoring Officer has a number of duties which are set out in the table below:-

DUTIES	EXAMPLES
Has regular meetings with each of the Managing Director, Executive Director for Finance and Commercial Services and Head of Democratic Services in order to review current and likely future issues with legal, constitutional or ethical implications.	Preparation for the May 2017 County Council elections were a key focus in the earlier part of 2017/18. The Monitoring Officer and the Head of Democratic Services were engaged in the delivery of induction training for new members.
Maintains good liaison and working relations with the External Auditor.	Key issues for the External Auditor are raised through meetings with the External Auditor and through the Executive Director for Finance and Commercial Services. The External Auditor is notified and contacted if reportable incidents arise.
Ensures that the County Council is kept up to date on new legislation and changes in the law which are relevant to the carrying out of the County Council's activities.	This generally takes the form of reports to Members and briefing notes to Executive Directors but where appropriate will involve training sessions for relevant Members and Officers. These activities are carried out in consultation and conjunction with relevant Executive Directors.

DUTIES	EXAMPLES
The Monitoring Officer or one of their senior staff is consulted at an early stage on new policy proposals and on matters, which have potentially significant legal implications.	The Monitoring Officer and staff in the Chief Legal Officer's (CLO) department are regularly consulted by Executive Directors on new policy proposals. The Monitoring Officer is not a member of the County Leadership Team (CLT) and there is therefore an onus on the Executive Directors to inform and involve the CLO of key policy proposals and matters with significant legal implications.
All draft reports to the Service Committees are as a matter of routine cleared with the Monitoring Officer or CLO department senior staff.	Significant reports for decision were routinely forwarded to the Monitoring Officer and/or the CLO department senior staff by service departments and were reviewed for their legal and ethical implications.
The Monitoring Officer has been informed of all emerging issues of concern of a legal, ethical or constitutional nature. Similarly, Members have ensured that the Monitoring Officer is routinely informed and consulted in respect of new policy proposals.	Executive Directors are aware that they should consult the Monitoring Officer on legal, ethical or constitutional matters and they regularly do so. Members can rely on the fact that significant reports for decision are routinely reviewed by the Monitoring Officer or senior staff in the CLO's department, prior to their presentation at Committees.
The Monitoring Officer has sought to resolve any potential illegality by identifying alternative and legitimate means of achieving the objective of the proposal.	The Monitoring Officer, in their capacity as Chief Legal Officer, and the senior staff in the CLO department regularly advise on the legality and/or appropriateness of administrative procedures.
In cases where external lawyers are acting for the County Council, it will be necessary for the relevant Chief Officer and the Monitoring Officer to agree arrangements for ensuring that vires and constitutional issues are satisfactorily addressed.	No exceptions were raised during the period.
In appropriate cases, and to secure the rapid resolution of a potential reportable incident or avoid a separate statutory report, the Monitoring Officer will be entitled to add their written advice to the report of any other County Council Officer.	There have been no such incidents during 2017/18.

DUTIES	EXAMPLES
Where the Monitoring Officer receives a complaint of a potential reportable incident, they must in appropriate cases seek to resolve the matter amicably, by securing that any illegality or failure of process is rectified. However, it is recognised that the Monitoring Officer may decide that the matter is of such importance that a statutory report is the only appropriate response.	There have been no incidents requiring a statutory report during 2017/18.

4. Review of effectiveness of systems of internal audit

4.1 Regulation 7 of the Accounts and Audit Regulations 2015 requires the Council to review annually the effectiveness of its system of internal audit. There is currently no guidance or good practice available for meeting this requirement. Informal advice from CIPFA and discussions with other local authorities provided various options for reviewing the effectiveness of the system of internal audit.

4.2 The elements of the Council's systems of internal audit and the assurance on their effectiveness include corporate control functions such as legal services. As endorsed by the Audit Committee on 24 April 2007, the option chosen is for the Audit Committee to review information on the effectiveness of the management processes and corporate control functions (legal, financial, health and safety and human resources services performed) as provided by self-assessment, customer feedback and any existing external performance reviews.

4.3 nplaw's work was re-accredited by Lexcel, the Law Society's quality standard for all legal practices, in April 2018 and was commended for some good practice areas.

5. Governance Statement

5.1 In addition to the Council's own governance the Monitoring Officer provides legal advice to the following joint committees:

- Norfolk Records Committee
- Norfolk Joint Museums and Archaeology Committee
- Eastern Shires Purchasing Organisation (ESPO)
- Norwich Highways Agency Committee
- Eastern Inshore Fisheries and Conservation Authority; and
- Norfolk Parking Partnership Joint Committee.

5.2 The Council and each Joint Committee (where required to do so) publishes its own Annual Governance Statement.

5.3 In addition the Monitoring Officer provides legal advice to the Pension Funds administered by the Council and in some areas, to the Council's wholly owned companies.

6. Section 17 Crime and Disorder Act 1998

6.1 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.

6.2 The Monitoring Officer's work helps deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing the rewards from crime.

7. Overall opinion on the adequacy and effectiveness of the Governance framework

7.1 That the systems of internal control administered by the Monitoring Officer including the Code of Corporate Governance and the Council's Constitution, were adequate and effective during 2017/18 for the purposes of the latest regulations.

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If you need this report in large print, audio, Braille, alternative format or in a different language please contact Abdus Choudhury on telephone 01603 222971 or 0844 8008011 (minicom) and we will do our best to help.

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Audit Committee

Item No.

Report title:	**Risk Management Report**
Date of meeting:	**31st July 2018**
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 July 2018, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during June 2018.

Risk management is reported separately 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 April 2018, prior to being refreshed mid-June 2018 to show the latest developments. Officers have worked through the risk related questions and comments from that Committee. The latest significant changes since the last Risk Management report to Audit Committee are shown in **Appendix A** (the risk reconciliation report). The latest progress against mitigations for corporate risks since the last Audit Committee is shown at **Appendix B** (the risk register report).

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. The background information to the report **(Appendix E)**;
e. 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, along with the risk reviewers who have reviewed and updated the risks where there have been changes since the last report. The recommendations of this report can be found above.

2. Evidence

2.1. Direction

2.1.1. The Council's Medium-Term Strategy and Financial Plan, adopted in February 2018, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. With regards to the development of Norfolk Futures, framed by four key principles, which considers seven priorities that the Council is working towards achieving, the Council is leading on, and delivering, 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. A Medium-Term Risk Management Strategy has been initiated, and is currently being developed by the Risk Management Officer, whereby the current and future activities of the Risk Management Function carried out to further embed the Risk Management Policy will be formally documented.

2.2 Progress

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 joined up with the Council's 2018-19 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 corporate risks to Norfolk County Council, and the actions required to mitigate them, overseen by the County Leadership Team, and owned by the Policy and Resources Committee.

2.2.2. Work continues to take place to further develop risk management, which continues to be reviewed and strengthened. The revised Risk Management Policy and accompanying procedures are in place and the Risk Management Officer is promoting these through training provided around the Council.

2.2.3 The latest corporate risk register details 18 risks, presented at **Appendix B**. 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.

2.2.4. **Appendix B** 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.

2.2.5. There is one risk with a red rated current risk score:

1. **RM023 - Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.**

2.2.6. 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. Two risk scores have been assessed as meeting their target scores by the target date, but are continuous in their nature, and remain on the corporate risk register. There are currently no risks with a ‘prospects’ target red risk score (see note 2 for the definition):

2.2.7. A reconciliation to the April 2018 Audit Committee report is presented at **Appendix A,** detailing the significant changes to corporate risks since the April 2018 report.

2.2.8. As part of the overall development of the performance and risk management framework for the Council, there is a continuation of the approach involving 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.

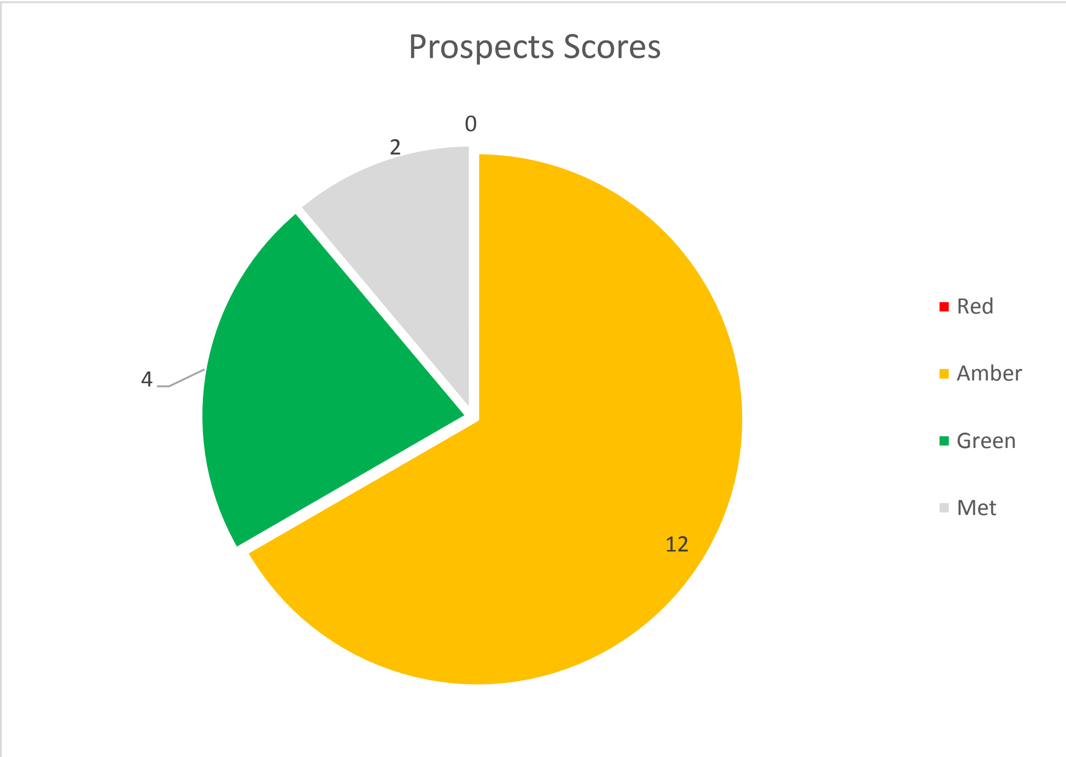
2.2.10. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C.**

2.2.11. Explanations for the various scores and terminology can be found in the Risk Management Procedures, which are available to Members and officers.

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 risks and a description of target scores is shown at **Appendix E**.

2.2.14. Fig. 1. below reflects the percentages of risks in each prospects category.



2.3 <u>Development</u>

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 and national 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 Audit Committee Chairman has proposed that departmental level risks are reported, in detail, to Committees at least once per year. The remaining departmental reporting throughout the year 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 Whilst the likelihood of not delivering the NDR to its revised budget has significantly reduced, there remain project risks of not delivering the NDR to budget. This risk will remain open until the final account for the construction works is closed, which project officers are focussing on.

5. Issues, risks and innovation

5.1 The Risk Management Officer has been promoting the Risk Management Policy around the Council, through the delivery of risk management training sessions to Human Resources and the France Channel England programme within the last two months.

5.2 The Risk Management Officer attended the annual national Alarm (Association of Local Authority Risk Managers) conference in Manchester in June 2018, where risk topics affecting Local Authorities were discussed.

5.3 Following the identification of an opportunity for revenue generation, a new Traded Risk Management service has been set up, with the objective of generating income for the Risk Management Function of Norfolk County Council from other local councils and local public facing organisations. The Risk Management Officer is available to consult on risk management, helping such organisations to develop their risk management functions in exchange for a half/full day consultation rate charged for each session delivered, and thereby potentially generating revenue.

5.4 The Risk Management Strategy 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.

6.2 An explanation of some of the terminology used within the report can be found at **Appendix E.**

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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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 0344 800 8011 (textphone) and we will do our best to help.

Appendix A – Risk Reconciliation Report

Significant* changes to the corporate risk register since the last Audit Committee Risk Management report was presented in April 2018.

Change to risk score

There is one risk score change to report:

RM014b - The savings to be made on Adult Social Services transport are not achieved.

The current risk score has decreased from 12 to 4, with the likelihood being lowered from 4 to 2, and the impact being lowered from 3 to 2.

This is due to the department achieving an underspend on Transport for 2017-18 of £0.888m - in effect the early delivery of the 2018-19 savings and some of the 2019-20 savings.

Changes to risk titles:

RM014a - The increasing demand for SEND assessments coupled with the amount spent on home to school transport at significant variance to predicted best estimates

This risk now includes reference to SEND transport as well as other home to school transport.

RM016 - Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.

The risk title above rescopes the current risk from the old title "Failure to adequately embed Business Continuity into the organisation", as the Council has made significant progress in embedding business continuity throughout the organisation. This can be evidenced in part by 100% of the Business Impact Analyses around the Council being returned and audited, and full departmental coverage at the Resilience Management Board meetings. Consequently, these elements of the risk have now been removed.

RM017 - Failure to deliver the Broadland Northway within agreed budget (£205m)

The risk title has changed to remove the construction element of the risk, following the opening of the last section of the road on 16th April 2018. The new risk title also incorporates the new name of Broadland Northway.

* A significant change can be defined as any of the following;

- A new risk
- A closed risk
- A change to the risk score(s)
- A change to the risk title, description or mitigations (where significantly altered).

Appendix B

Risk Number	RM001	**Date of update**	03 July 2018
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	3	**9**	3	2	**6**	Mar-19	**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.

1.3) 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.

1.4) 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.

Overall risk treatment: Treat

Progress update

Progress update
1.1) 27 LEP pro formas have been completed for the highest priority LGF schemes. 1.2) Acle Straight and East Winch to Tilney dualling identified as key priorities for RIS2 by NCC and the A47 Alliance and these have been recommended to HE. 1.3) Review programmed. 1.4) Pooled Business Rates bid were successful for 24 projects including the following key transport projects King's Lynn Transport Norwich Western Link Great Yarmouth Transportation Strategy Dereham Market Town Study Long Stratton Bypass 2.1) Scheme development work underway for 7 Attleborough transport schemes, 6 Great Yarmouth Sustainable Transport schemes and two Great Yarmouth congestion scheme. Fullers Hill Roundabout scheme is completed and the Railway Station/TheConge scheme is under construction. 2.2) Longwater S106 was reviewed and it was confirmed that these contributions are all still valid to contribute to the Dereham Road scheme.

Risk Number	RM002	**Date of update**	19 June 2018
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 2018/19- 2021/22 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.

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**	Mar-19	**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:Treat

Progress update

Government's 2018-19 local government finance settlement reflected in the 2018/19 budget and Medium Term Financial Strategy.

The Government announced the final 2018/19 Local Government Financial Settlement on 6 February 2018. County Council approved the 2018/19 budget and Medium Term Financial Strategy on 12 February 2018 which incorporated the final settlement.

The council’s external auditors gave an unqualified audit opinion on the 2016-17 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

The recent commitment to additional funding for the NHS (https://www.gov.uk/government/news/prime-minister-sets-out-5-year-nhs-funding-plan)

Progress update

inevitably means less funding will be available for other government priorities. However, the plan sets out a commitment that the Government will ensure that adult social care doesn’t impose additional pressure on the NHS. The Prime Minister has also signaled the intention to produce proposals to put social care on a more sustainable footing, and to set out budgets for social care and public health as part of the forthcoming spending review. As such the implications for the Council of the Government’s various funding commitments across the public sector will not become fully clear until later in 2019.

Executive Directors are updating the the latest information on the Council's budget planning for 2019-20 to 2021-22 which is expected to be reported to the Policy and Resources Committee on 16 July 2018.

Risk Number	RM003	**Date of update**	19 June 2018
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security.		
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. This risk is separate to RM007, which looks at the risk of not having the correct or accurate data to make key decisions.

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-18	**Green**

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.
5) NCC is NHS Information Governance Toolkit compliant to Level 2
6) Embedding and enhacing Cyber Security techniques and Protocols through recommendations from the recent Cyber Security Audit - i.e data loss, ransomware and system outages etc.
GDPR work plan has been to CLT and the ICG now owns the plan.
GDPR work has been implement and business representative meting are still being delivered reporting back to the ICG.
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 new General Data Protection Regulations are to be implemented by May 2018. A GDPR paper and work plan agreed by the ICG will go to CLT for sign off, with further work progressing. The work plan will include a corporate plan that will add further mitigation in reducing this risk.
The target date has been changed to take into account the remianing elements of hte GDPR programme and the repsone from NHS Digital
Overall risk treatment: Treat

Progress update

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 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. Cyber security action plan has been developed and is currently being actioned. 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. GDPR programme of work is underway reporting to the ICG and escalation to IMT steering Group/CLT. Norfolk County Council submitted the 2018/19 NHS IG Toolkit submission and is currently awaiting response from NHS Digital. GDPR programme of work has been implemented with key risk areas prioritised for the delivery by the 25th May 2018. Programme of work is now continuing for the lower risk areas. Audit sucessfully undertaken by Internal Audit in regards to the use and implemention of Caldicott Guardians across Childrens and Adults.

Risk Number	RM004	**Date of update**	13 June 2018
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**	Dec-18	**Amber**

Tasks to mitigate the risk

1) Ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively

2) Pipeline of expiring contracts and procurement summary to go to Committees and departments.

3) Appoint a Senior Commissioning Officer for Norse services and implement cross-department contract management structures

4) Review contracts to ensure compliance with the GDPR from May 2018

5) Rolling programme of internal audits of contract management of significant contracts

Overall risk treatment: Treat

Progress update

1) Contractor management training being organised for Q2/3 of 2018/19; central system of checking credit alerts implemented; contract management skills matrix being developed

2) 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.

3) A Senior Commissioning Officer has been appointed for Norse services and cross-department

4) Contracts are currently being reviewed, to ensure compliance with the GDPR as of May 2018.

5) Rolling audit programme has commenced.

Risk Number	RM006	**Date of update**	04 July 2018
Risk Name	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 - 2021.		
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**	2	5	**10**	2	5	**10**	Oct-18	**Met**

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: Treat

Progress update

1) The Council agreed the Strategic and Financial Planning 2018-19 to 2021-22 and Revenue Budget for 2018-19 at its meeting on 12 February 2018. In making their decisions, Councillors had the benefit of a cycle of robust committee discussions about priorities and pressures on services.
2) Norfolk County Council's strategic planning framework sets out a vision and a strategy to govern the work of the Council over the next 3 years. The vision builds on the administration's manifesto and the strategy (wich replaces the previous Council Plan) sets out the 4 strategic principles that we will use to start to transform Norfolk County Council's services. The Norfolk Futures transformation programme provides the vehicle for change, and contributes and is aligned to the Medium Term Financial Strategy.
3) Each service committee has a 3 year service plan which outlines the business plans which will deliver the vision and strategy, as well as the key performance indicators by which progress and success will be measured. The Committee plans have been built up from the 53 "plans on a page" developed across all services, and which detail the desired outcomes, priorities and measures for each service. Over the summer 2018, the plans on a page will be refreshed to ensure they are in line with the 4 strategic principles, and aligned to emerging budget proposals. Over the next 3 months, the Strategy & Delivery Unit will be working with

Progress update

Finance to develop a fully integrated strategic planning cycle.
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). The corporately significant "vital signs" have been agreed and will be reviewed quarterly at the Policy & Resources Committee.
5) Plans for a public consultation for savings in 2019-20 are being developed for the Autumn 2018, and "project by project" engagement with strategic stakeholders and partners is already underway. The feedback from all consultations will be shared with and discussed in detail by councillors in line with agreed timetable.
6) The Heads of Strategy & Delivery, Intelligence & Analytics and Human Resources have been appointed, strengthening the corporate centre and creating a more joined up approach to strategy setting, using evidence and intelligence. The focus of the teams will be to determine the strategic questions the council needs to respond to, scan the political landscape that the council operates in for opportunities and threats, respond to emerging policies and support the developmement of service specific strategies to address current and emerging pressures.

Risk Number	RM007	**Date of update**	19 June 2018
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. This risk is separate to RM003, which looks at the risk of failure to adhere to national and/or local statute or codes of practice relating to information compliance or information security.

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-18	**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) The implementation of a corporate Records Management solution
6) The implementation of a corporate Identity and Access Management solution

Overall risk treatment: Treat

Progress update

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 with the SIRO and identified to the Caldicott Guardians. 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. A data quality audit has been carried out, particularly focussing on information asset owners, with the final report published in January 2018. 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.

Appendix B

Risk Number	RM010						**Date of update**		20 June 2018	
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Risk Owner	Simon George						**Date entered on risk register**		02 September 2015	

Risk Description

Loss of core / key ICT systems, communications or utilities for a significant period - as a result of loss of power, physical failure, fire or flood, supplier failure or cyber attack - 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.

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**	Sep-18	**Amber**

Tasks to mitigate the risk

'1) Full power down completed periodically.
2) Voice and Data reprocurement.
3) Commision Independant Data centre and power audit
4) Reprocure storage with suitable resilience and Disaster Recovery (DR)
5) Reprocure Microsoft Server Infrastructure with suitable resilience and DR
6) Replace ageing Local Area Network (LAN) equipment
7) Identify a suitable DR site to replace Carrow House
8) Ensure access to services if county hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory)
9) Implement Cloud-based business systems with resilient links for key areas
10) Replace voice services (contact center / desk phones) with resilient cloud based service including
Relocate resilient Network Routing Server to allow call routing to continue for other sites if County Hall failed
Reconfigure sites to point to an active Survivable Media Gateway (one of the 4 ISDN sites) so if Avaya fails a reduced fall back service is available
11) Review and Implement suitable arrangments to protect against possible cyber / ransonware attacks including
• Carry out recommendations from Cyber Security Audit
• Carry out recommendations from Phishing Simulation exercise, and repeat
• Retire Windows 2003
• Implement new client service security for Windows 10 build
• Independent IT Health Check for PSN accreditation
Overall risk treatment: Treat

Progress update

Progress update
'Progress completed to date 1) Full power down completed and procedures updated from lessons learned. 2) Voice and Data reprocurement complete and implemented significantly increasing resilience for the Wide Area Network and internet. 3) Commissioned Independant Data centre and power audit, complete August 2017, recommended separate diverse power supply and new data centre's, costing additional power and plan (subject to approval) new data centre's as part of basement / lower ground refurbishment. 4) New DR site work permissions approved, building work complete. 5) New Microsoft Server Infrastructure procured implementation complete ready for migration when ready to test full DR capability. 8)All core infrastructure services (DNS, AD, ADFS, NPS, AlwaysOn VPN) are now clustered across to the Secondary site ; - All production Wintel servers (380) are now replicated to the Secondary site; - Email system is now able to operate independent of County Hall campus. This includes user's access to mailbox as well as ability to send/receive internal and external emails. 9) Cloud-based highways management system has been implemented; Liquid Logic replacement is remotely hosted and due live by April 2018 with resilient network connections ordered; review of Oracle hosting has commenced. 11) To mitigate against a cyber attack Network segregation has been improved over the Wide Area Network (WAN), ensuring all partners that use the NCC network are fully segregated. Denial of Service (DDOS) and Intrusion Prevention system (IPS) implemented on our internet gateways and robust patching and host based protection implemented on all NCC devices that attach to the network (This is a pre-requisite of PSN accreditation, and is an on-going task). A simulated phishing attack has been run (we are one of few Councils to have under- taken such an exercise) and results are being analysed. New client service security for Windows 10 has been successfully implemented and is being enforced as the new build rolls out. Actions to be completed 6) Replacement New Local Area Network (LAN) to be procured to reduce risk of network failure. 7) The server, network and storage DR equipment will be moved into the identified site providing full failover facilities in the event of loss of County Hall. Still on Target to be complete by late Summer 2018. 8)All core infrastructure services (DNS, AD, ADFS, NPS, AlwaysOn VPN) to be moved Q3 2018 to the new DR site; - Work started on the new Solaris EBS platform which by design is replicated to the Secondary site (go live Q4 2018); - Network layer resilience main concepts agreed, design work initiated. This will be enhanced by the LAN refresh (Q4 2018); - Works have started to reorganise/improve the site's Comms Room which will become ready as Secondary site Q3 2018; 10) Replacement of contact centre system to a cloud based service taking longer than expected. Skype for business project being reset and replanned to improve resilience and reduce dependencies on onsite infrastructure. 11) Work to complete recommendations from Cyber Security Audit is ongoing 5 out of 25 actions now complete with a target of December 2018, the work to retire Windows 2003 servers 26 remain 16 due to be complete by Jun 2018 leaving 10 including Oracle UCM, SMIS, call pilot which are all dependant on other projects but will be patched with security patches provided by the NHS, the recommendations from the Independent IT Health Check for PSN accreditation are 69% complete. We are working through the recommendation/actions from the phishing exercise and have completed 1 of the 12 we will complete all actions by October 2018.

Risk Number	RM011	**Date of update**	03 July 2018
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-19	**Amber**

Tasks to mitigate the risk

Reshaped and launched performance development framework
Mandatory training for 950 existing managers
Mandatory training for all new managers
Survey feedback to test employee and manager engagement and competence with new framework
Corporate vital signs for goals, learning plans
Other corporate vital signs of staying with organisation more than 2 years, absence targets,
Employee survey to test alignment with goals and performance improvement
Regular monthly communication
Half year reviews will focus on launch of values and leadership attributes the “how”
Embedded into our management development framework offer.

Managing the following five corporate vital signs relating to performance;

Sickness absence - percentage lost time.
New employee retention rate
Vacancy rates
Agency and contract staffing spend as a percentage of pay bill
Working to a target of 95% of employees having written goals to works towards.

Overall risk treatment: Treat

Progress update

We have a plan in progress for the current year to deliver the HR based mitigations for this risk.
We are developing the vital signs relating to performance.
There is close working between the Head of HR and the Head of Intelligence and Analytics to capture how the organisation is performing.

Risk Number	RM013	**Date of update**	22 June 2018
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 2016-17.

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**	Apr-19	**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.
5) Approve the Outline Business Case for Repton Property Developments Ltd.
6) Provide regular updates to the company Board and to the Business and Property Committee.
Risk Treatment: Tolerate

Progress update

Progress update
1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register. For Norfolk Energy Futures, Policy and Resources Committee agreed to liquidate Norfolk Energy Futures on 3rd July 2017, with the outcomes of this process to be reported to Policy and Resources Committee through financial monitoring. Work to liquidate the company is currently progressing. 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. All County Council subsiduary limited company Directors have been approved by full council. The new Chairman of Norse has initiated change with one Director looking after NCS and NPS, with a view to maximising returns back to NCC. Updated report on Norse governance went to P&R in November 2016. 4) The Executive Director of Finance and Commercial Services directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution. 5) The Outline Business Case for Repton Property Developments Ltd has been approved. 6) Regular updates are being provided.

Risk Number	RM014a	**Date of update**	10 July 2018
Risk Name	The increasing demand for SEND assessments coupled with the amount spent on home to school transport at significant variance to predicted best estimates		
Risk Owner	Chris Snudden	**Date entered on risk register**	04 November 2015

Risk Description

There is an increasing demand on services as our numbers of SEND are rising, this coupled with ensuring there is appropriate sufficient placement choice is having an impact on cost. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the inability to reduce the need for transport or the distance travelled will result in a continued overspend on the home to school transport budgets and an inability to reduce costs.

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	3	**15**	2	2	**4**	Mar-19	**Amber**

Tasks to mitigate the risk

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.
Look for further, more innovative, ways to plan, procure and integrate transport.

Overall risk treatment: Treat

Progress update

The year-end figure for FY2017/18 confirmed ongoing underspends for mainstream and post 16 transport and ongoing overspend for SEN transport; we anticipate a similar pattern of spend against budget for the FY2018/19 with potential pressure of approx. £900k. Currently, the strategy to address this overspend pressure remains the same, i.e : Norfolk County Council have now progressed to the next stage of the Hackney Community Transport independent travel training initiative; following on from the formal contract sign-up the provider has now recruited a local manager and implementation is now underway with key NCC services and partners (Headteachers of Special Schools and parent/carer organisation) to increase independence travel training on a payment by results basis. 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). Ongoing efficiencies will continue to be secured though the cycle of route reviews and re-procurement. New special school places are now coming on stream (3 schools being completed in the current academic year) and we continue to target placements that will reduce travel time and travel costs in addition to meeting pupil needs. The outcome of the consultants, Red Quadrant, review of SEN transport will be reported to CLT in May 2018 and action plans will be adjusted based on those agreed recommendations.
Red Quadrant consultants were commissioned to review all elements of SEN transport and their findings and recommendations were reported to P&R Committee on 4 June 2018. P&R Committee have determined that these recommendations, that highlight potential savings in excess of £1.5million, should now be debated in full via CS Committee.

Appendix B

Risk Number	RM014b			**Date of update**					20 June 2018	
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 £1.7m 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**	2	2	**4**	2	2	**4**	Mar-20	**Green**

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 corporate 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.

Overall risk treatment: Treat

Progress update

1)Adult Social Care Committee agreed on 4 September 2017 to amend the transport savings to £0.700m in 2018-19 (from £3m) and £1m in 2019-20 (from £0.800m) and that the difference of £2.1m in savings will be made through the purchase of care budget as a result of changes to patterns of care. The department achieved an underspend on Transport for 2017-18 of £0.888m - in effect the early delivery of the 2018-19 savings and some of the 2019-20 savings.
2) Travel Independence Training Across the Nation (Titan) training is being rolled out. Have recruited 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. It appears that this is being embedded in working practices, given the forecast underspend on transport.
4) The department has been advised that there is potentially scope for the development of the Elm Road site on a bigger scale. In light of this, the review of Learning Difficulties day services and the potential new opportunities this could lead to, the department is reviewing the Elm Road project.
5) This is currently being developed.We have carried out the fieldwork to understand the current transition process from Children's services to Adult services. We have taken a joint approach and carried out 50 interviews with senior stakeholders from children's services, adult services and health, as well as meeting with transition workers, team managers and other key staff from children with disability teams, looked after care teams, leaving Care teams, Adult LD, Adult mental health and adult Physical disability team.

Appendix B

Risk Number	RM016	**Date of update**	14 June 2018
Risk Name	Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.		
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-18	**Green**

Tasks to mitigate the risk	**Progress update**
1) All corporately agreed critical activities must have comprehensive Business Continuity plans which are exercised. Plans to be agreed by Senior Managers.	1) 85% of critical services have plans which are up-to-date. We are now working to ensure that plans are exercised, there was a 7% improvement on the numbers of plans which have been exercised from 1st May to 1st June 2018. The target for the end of September is to achieve 50%. 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) 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.	2) Work Area Recovery test - stage 1 to test the CSC has been completed and was a success. This exercise tested "loss of access to County Hall" not "loss of infrastructure at County Hall". Resilience Management Board and CLT have given support to a corporate exercise at the Professional Development Centre. This has been booked for the 26th July 2018. IMT have agreed that a full failover test should be completed at the Disaster Recovery site which would mean the PDC would be operational in the event of a failure of ICT at CH. This is currently planned to take place in September 2018.

Tasks to mitigate the risk	Progress update
3) 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.	3) The Business Continuity for managers course is now over subscribed despite more dates being added to the training programme. The annual survey is in the process of being completed, already with more than 800 responses - 200 more than last year. Training and exercising is being completed across the organisation but a full programme of training and exercising needs to be developed. All plans must be exercised once per year. The target for the end of September is to achieve 50%. A tactical / silver course is being developed for NCC staff. A Resilience debrief on the March 2018 severe weather took place on 10th April 2018. Key learnings from this from the gold and silver group feedback (representing the organisation across the board) was presented to the Resilience Board on 19th April 2018 by the Head of Resilience.
4) Implement the Business Continuity Framework	4) Every quarter the Resilience Management Board receive an update of where NCC are in implementing the BC Framework, there are no red items. This has been developed further by communicating the positon of the departments using the assurance framework and those sections marked as red/amber (where applicable) should be linked to departmental risk registers. This will be due to be completed again once the BC survey results have been reviewed. Each department will receive a report showing where the departmental strengths and weaknesses are in relation to Resilience.
5) Gain assurance that ICT could be recovered in line with timescales detailed within the BIAs. Overall Risk Treatment: Treat	5) Full ICT data from the Business Impact Analysis has been provided to IMT and we are awaiting their comments and feedback. The aspiration is that what the Business has documented within the BIAs should be used to help shape IMT infrastructure projects and the currect DR project. There are several new technologies being introduced such as the new telephony system, whilst they offer numerous benefits, Resilience have requested a briefing on any additional risks the new technologies may bring. For example for outlying buildings without generators, a loss of power my cause a complete loss of communications. This briefing has not been completed yet, and has been raised. The target date for this risk has been amended to 31/10/18 to take into account resource requirements within ICT and the timescales for the infrastructure projects in IMT which will improve resilience of ICT and mean ICT continuity in the event of failure of ICT at CH. ICT have drafted a report showing levels of resilience and where there are gaps and the Resilience Team have reviewed this. IMT have now provided timescales for when ICT will be more resilient, and specifically a date for when additional exercises can take place at the PDC.

Risk Number	RM017	**Date of update**	29 June 2018
Risk Name	Failure to deliver the Broadland Northway within agreed budget (£205m)		
Risk Owner	Tom McCabe	**Date entered on risk register**	26 November 2015

Risk Description

There is a risk that the Broadland Northway will not be delivered within the revised budget. Cause: environmental and/or contractor factors affecting delivery within budget. Event: The Broadland Northway is completed at a cost greater than the agreed revised budget. Effect: Failure to deliver the Broadland Northway within the revised budget would result in the further shortfall having to be met from other budgets. This will 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**	3	3	**9**	3	3	**9**	Sep-18	**Amber**

Tasks to mitigate the risk

The total project budget agreed by Full Council (November 2015) was £179.5m. Since then, in November 2016, a risk of £6.8m increased budget was highlighted. In June 2017, the risk of an increased budget was highlighted. A further update to P&R Committee on 27 November 2017 received approval to revise the budget to £205m (this was also confirmed at Full Council on 11 December 2017). This new assessment reflects the corporate assessment criteria . Mitigation measures have been updated to reflect the revised position.

1) Project Board and associated governance to continue to monitor cost and programme at monthly reporting meeting with a focus on delivery below revised budget.

2) NCC project team maintain appropriate commercial resource to provide ongoing scrutiny throughout the remaining works by Balfour Beatty. This includes completing an independent audit of Balfour Beatty's project costs, taking account of the revised contract provisions.

3) Programme has been developed that shows works to be completed in phases to specified dates with penalties applied for late delivery.

4) Project controls and client team to ensure systems in place to deliver the remainder of the project. Client team to ensure any contractual issues are robustly handled as works are completed and final account process closed.

5) All opportunities to be explored to reduce risk, costs and programme duration with appropriate management meetings (at appropriate levels) to be held on a weekly basis.

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: Treat, with a particular focus on reducing project costs

Progress update

Progress update

1) The project Board is in place and meets monthly, receiving reports on progress, cost and risk. Process includes updates and feedback from the NDR Member Group who are providing additional project scrutiny. Any budget issues will be reported to Committee as soon as possible.
2) The project commercial team has been reinforced and will continue to be maintained at appropriate levels to provide sufficient scrutiny throughout the remaining works and until closure of the final account. The team, supported by external specialists will continue to examine Balfour Beatty's project costs. Further resource or specialist advice to be discussed at Board meetings.
3) Contractor has agreed a programme to complete all the remaining works in three phased sections. Board and NDR Member Group to be provided with details and updates as works progress. The first phase (A1067 to A140) was completed and opened on agreed date of 11 November 2017. The second phase was completed and opened on 21 December 2017. The final phase is now completed, but was behind the target date of 23 March. The road was opened on 16 April, but there remain further works to complete (drainage; landscaping; planting; cycleways). Remaining minor works will be completed by NCC Works team and are allowed for within the overall budget.
4) Project administration controls and client commercial team are maintaining systems and staffing levels to monitor ongoing costs and contract information.
The specialist review of allowable costs will provide input to this. Contract a-dministration will continue to be managed through CEMAR software package. Project cost forecasting also to be updated in line with programme (see 3 above). Compensation events from October onwards being assessed as actual cost + fee.
5) Regular weekly joint construction team 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 also continue to discuss the commercial position with a focus now on closing the final account for the construction works. Details to be reported to Board and Broadland Northway Member Group.
6) A governance (delegated purchasing of land) audit and a contract administration audit have been carried out. Both are completed and the reports have been presented to the Board and Member Group. Further cost analysis by specialist consultants also commenced at the end of August 2017 and this is ongoing as part of the contract final account process (see 2 above). Findings from the final cost audits will be reported to the Board and Member Group.
7) Specialist contract advice has assisted the negotiations relating to contract changes. These changes have been checked with legal team and details were included in the 27 November P&R Committee report. Necessary approvals and signing of contract Deed of Variation completed. Any contract issues will be discussed at Board and Member Group meetings and any further updates taken to Committee.

Risk Number	RM019	**Date of update**	20 June 2018
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**	Oct-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

Overall risk treatment: Treat

Progress update

1a) Clear governance is in place. The Project Sponsors are Janice Dane (Adults), Debby McKechnie (Children's) and John Baldwin (Finance). This is overseen by CLT: a Programme Board was set up including the Directors of Adults, Children's and Finance and Commercial Services .
1b) There are weekly Joint Leadership Advisory Group (JLAG) Lead meetings with the Project Sponsors and the Project Team; 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). A network of champions has been established in Adult Social Services and Children's Services.
3) Adults and Finance successfully went live on 22 November 2017. Children's and Finance were planned to go live in March 2018 however at the first Programme Board Go/No go decision point on the 16 January 2018 for the Children's and Finance systems
it was forecast that the implementation would not be ready by the w/c 19 March 2018. Therefore it was agreed to move the go live by a few weeks and to use an alternative go live date w/c 30 April 2018. Part of the contingency budget is funding the extension.
4) Delivery of implementation is proceeding in line with the plan. Adults and Finance Go Live - Considering the scale of the change that has happened, requiring some significant changes to behaviours in staff and managers, this process has been relatively smooth. Payment and billing runs have been made from the system and approximately 70 providers are using the Provider Portal. A support helpdesk is up and running in a central location.
5) Children's and Finance - At the Go/No Go point on 12 April the SCSR Programme Board agreed to continue the go live process in line with the agreed plans.
6) Training of staff is in progress for Children's.

Appendix B

Risk Number	RM021						**Date of update**		12 June 2018	
Risk Name	Failure of Estate Management									
Risk Owner	Simon George						**Date entered on risk register**		21 June 2016	
Risk Description										
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.										
Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	2	**6**	2	2	**4**	Oct-18	**Amber**

Tasks to mitigate the risk

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) Reconstitute the County Farms Review Meeting.
4) Procure a new property data base for the management of the estate.

Overall risk treatment: Treat

Progress update

1) There is a regular report to B&P committee.

2) The lettings process for four farms has been completed with the new, transparent system in place. No issues have been experienced to date.

3) Tenants will soon be balloted on their preferred method of 'tenant representation'.

4) The major outstanding action is the replacement of the IT system, which is being considered within the context of the whole teams requirements.

Risk Number	RM022	**Date of update**	21 June 2018
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 ('Brexit').		
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 as a whole 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**	3	3	**9**	2	3	**6**	Oct-18	**Amber**

Tasks to mitigate the risk

1) Norfolk County Council should continue to monitor Brexit developments and developing responses to the four areas in which the council will be affected (EU funding, legal issues, workforce issues, place-based impact).
2) We are members of the LGA Brexit Sounding Board and local authority officer network to keep abreast of local government thinking and influencing of post Brexit policy. We have jointly commissioned work with the LEP and Suffolk County Council to understand the business impact of Brexit within the New Anglia area.
3) We have agreed the principals and framework for regional investment post Brexit to ensure the level of current funding is protected, including asking for funds to be devolved locally, so that the economic benefit of the funding is secured.
4) Human Resources to support managers and staff who may be affected by this issue.
5) Regular meetings aretaking place with the Department for Communities and Local Government (DCLG) and the Department for Business, Energy and Industrial Strategy (BEIS) regarding a managed exit from EU funded programmes to ensure NCC’s liabilities are met.

<u>Overall risk treament: Tolerate</u>

Progress update

Progress update
1) CLT agreed Vince Muspratt should continue to be the officer responsible and highlight any changes that would impact the council. CLT agreed 3 strands of work in line with the LGA approach: a. Future of EU Funding; b. Place-based impact; c. Laws affecting councils. We held a business-focused information event on 5 June and are developing our direct links to businesses to support them and enable them to support each other on Brexit issues. The NCC web pages will be updated to reflect this. 2) Government has now stated that existing funding programmes will contine until their original end date of 31 December 2020 (rather than 19 March 2019 as had been anticipated). DCLG has confirmed this applies to their programmes but DeFRA continue to work to the March 2019 end date. Payment mechanisms to manage this remain to be explored. 3) The Green Paper regarding the Shared Prosperity Fund has not yet been published and in the light of the announcement above, is not now expected for some time: we are working with New Anglia and other relevant partners on a joint response and will report the propos- als and our response to P&R report when it has been published. NCC is represented on the LGA national Brexit Sounding Board by Vince Muspratt, the Sounding Board will resume after publication of the Green Paper and in the interim we are in regular contact with the LGA and with other relevant bodies to monitor progress. 4) The 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. DCLG have raised the issue with Ministers, as is our MA status after we leave the EU. This will now fall under the detailed work around payment mechanisms following the confirmation of extended programme completion. 5) We have raised the issue of Trading Standards (their ability to act as a National Body certified by the EU, charging for highway services) with the LGA to play into their negotiations with DExEU 6) Analysis is being undertaken of migrant workforce in Norfolk to feed into LGA request for evidence. Data also being gathered on Norfolk businesses export markets.

Risk Number	RM023	**Date of update**	20 June 2018
Risk Name	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.		
Risk Owner	James Bullion	**Date entered on risk register**	18 August 2017

Risk Description

There is a risk of failure to fully understand and act upon changes to demography, funding, and government policy. Cause: Changes to demography, funding, and government policy. Event: The Council fails to plan and adapt to change effectively for the future. Effect: Outcomes for Norfolk citizens may worsen.

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-20	**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.

Overall risk treatment: Treat

Progress update

1) Demand and demography modelling continues to be refined through the cost and demand model. Four main themes for transformation: Services for people with learning disability; maximising digital technology; embedding strengths-based social work through Living Well; 3 conversations; health and social care integration
2) Sector based plans for providers which model expected need and demand associated with demographic and social change
3a) Strengthened investment in prevention, through additional reablement, social prescribing, local inititatives for reducing social isolation and loneliness
3b) Workforce – continued recruitment campaign to increase front line social workers and occupational therapy staff
3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care

Appendix B

Risk Number	RM024	**Date of update**	29 June 2018
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023)		
Risk Owner	Tom McCabe	**Date entered on risk register**	05 December 2017

Risk Description

There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes, or procurement put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes.

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**	Jan-23	**Amber**

Tasks to mitigate the risk

The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs.
Mitigation measures are:
1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings.
2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes. This will include independent audits and contract/legal advice on key contract risks as necessary.
3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board.
4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored.
5) All opportunities to be explored through board meetings to reduce risk and programme duration.

Overall risk treatment: Treat, with a particular focus on maintaining or reducing project costs and timescales

Progress update

Progress update
The outline business case was submitted on 30 March 2017, and DfT confirmed approval of this following the autumn statement in November 2017. There is a risk that the scheme development could see changes to the scheme, and therefore to the agreed business case, and any changes will need to be addressed/agreed with DfT. Progress against actions are: 1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented. 2) Specialist cost and commercial consultants have been appointed and will continue to review project costs. The first element of work for the cost consultant was to review current forecasts. They will continue to assess on a monthly basis, reporting to the board. No issues highlighted and budget is considered sufficient - this work has been used to update the business case submitted to DfT. DfT has confirmed acceptance of the updated business case. 3) An overall project programme has been developed and will be owned and managed by the dedicated project manager. Any issues will be highlighted to the board as the project is delivered. Programme updated to fully align procurement and DCO processes. 4) Learning from the NDR and experience of the commercial specialist support has been utilised to develop contract details ahead of the formal commencement of the procurement process, which was 27 February 2018. Further work has been ongoing and will feed into the engagement processes (competitive dialogue) with the bidders. 5) The project board will receive regular (monthly) updates on project risks, costs and timescales.

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.

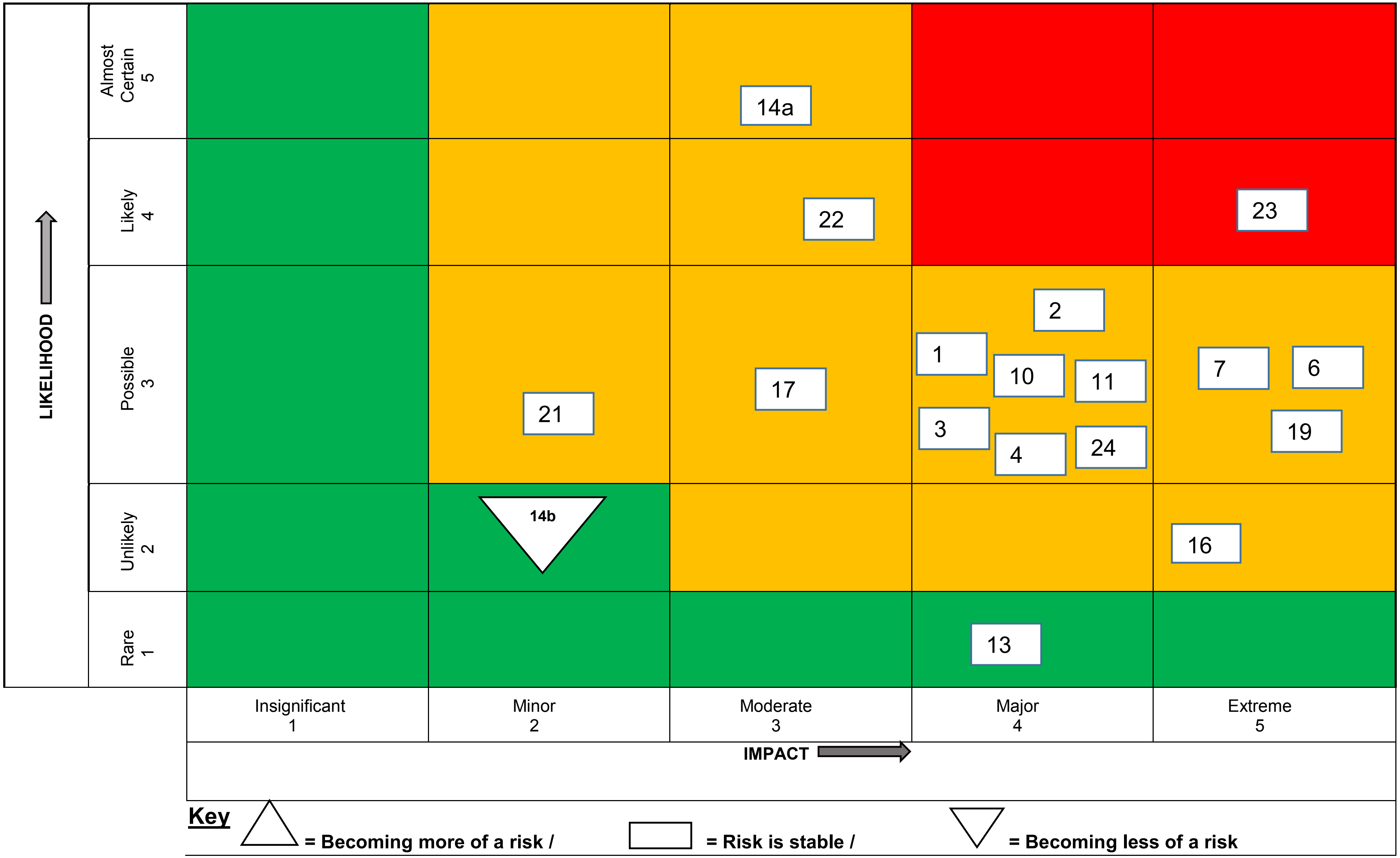
All actions, whether from this list or not, will be followed up and reported back to the committee.

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

Corporate Strategic Risks - Heat Map



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 relating to information compliance and information security.	14a	The increasing demand for SEND assessments coupled with the amount spent on home to school transport at significant variance to predicted best estimates.
		14b	The savings to be made on Adult Social Services transport are not achieved.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	16	Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.
		17	Failure to deliver the Broadland Northway within agreed budget (£205m)
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 – 2020/21.	19	Failure to deliver a new fit for purpose social care system on time and to budget.
7	Potential risk of organisational failure due to data quality issues.	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 ('Brexit').
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.	23	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.
		24	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023).

Appendix E

Background Information

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 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.

In responding to the corporate risks identified, there are four risk treatments that should be considered;

Treat

The risk should be treated through active management of the risk to reduce wherever the implications of the risk materialising are negative.

Tolerate

The risk should be acknowledged with the recognition that some or all of the mitigating actions are out of the immediate control of the Council.

Transfer

The risk should be transferred to a third party (usually via an insurance policy).

Terminate

The root cause of the risk should be terminated i.e. the action(s) causing the risk should be stopped.

Audit Committee

Item No.

Report title:	**Great Yarmouth 3rd River Crossing - Project Update**
Date of meeting:	**31 July 2018**
Responsible Chief Officer:	**Tom McCabe - Executive Director of Community & Environmental Services**

Strategic impact

The Audit Committee provide proactive leadership and direction on audit governance and risk management issues, in accordance with their terms of reference which are part of the Council's Constitution, part 4.1 (4.4) (page 13) being:

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.

C. RISK MANAGEMENT
5. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.

Executive summary

At the Committees last meeting in April 2018, a request was made for an update on Risk RM024 (Failure to construct and deliver the Great Yarmouth 3rd River Crossing within agreed budget and to agreed timescales (construction completed early 2023)), including the progress to date and the associated governance for the Great Yarmouth 3rd River Crossing project (GY3RC).

The report looks at the project from a governance perspective, considering the following points to provide assurance to Members of effective current and continuing project governance:

- Member Working Group Terms of reference
- Project Initiation Document/Funding Bid established
- Project information flows (i.e. between EDT Committee, Members Working Group, Project Board, and CES DMT / CLT) - information reaching stakeholders efficiently and effectively
- Any lessons learned to date from NDR project factored in to 3RC project
- Reporting tools used (i.e. progress updates to corporate risk RM024, with corporate Risk Management report used for keeping Members informed / progress reports to Committee where appropriate). Project risk register presented to Project Board.
- Planned involvement of internal audit at the appropriate point(s) in the project

Recommendations:

Members are asked to consider and comment on the Governance arrangements and the management of Risk within the project.

1. Proposal (or options)

1.1. Norfolk County Council adopted a preferred scheme for the Great Yarmouth Third River Crossing in 2009, comprising an opening bridge over the River Yare to connect the trunk road network, at the A47 (formally the A12) Harfreys Roundabout, to the southern peninsula near to the port and Enterprise Zone sites.

1.2. The County Council, at its meeting in December 2016, agreed a motion setting out that the 'Council recognises the vital importance of improving our transport infrastructure and that this will help to deliver the new jobs and economic growth that is needed in the years ahead.' In addition the motion set out that the 'Council also recognises the importance of giving a clear message of its infrastructure priorities to the government and its agencies, and so ensure that there is universal recognition of their importance to the people of Norfolk.' Three projects were identified as priorities for the coming years; Great Yarmouth Third River Crossing; Norwich Western Link; Long Stratton bypass.

1.3. EDT Committee approved the submission of the Outline Business Case (OBC) to the Department for Transport (DfT) March 2017 and the project received funding (£98m) and 'programme entry' status from DfT on 28 November 2017. In February 2018, the Secretary of State also confirmed that the project should be treated as being of national significance and therefore follow a Development Consent Order (DCO) route for the completion of the statutory processes.

2. Evidence

2.1. Project Delivery

Section 5 below provides background details relating to previous reports to Members.

2.1.1. Since March 2018, the procurement process for the project has commenced. This has seen the first stage of the process completed, which is the assessment of pre-qualification submissions. The first round of 'outline solutions' were submitted on 3 July and are currently being assessed before the next phase of the process gets underway, which will include more detailed dialogue sessions with each of the bidders and ultimately in the submission of their final tender proposals. It remains a target to award the contract as close as possible to the end of this calendar year.

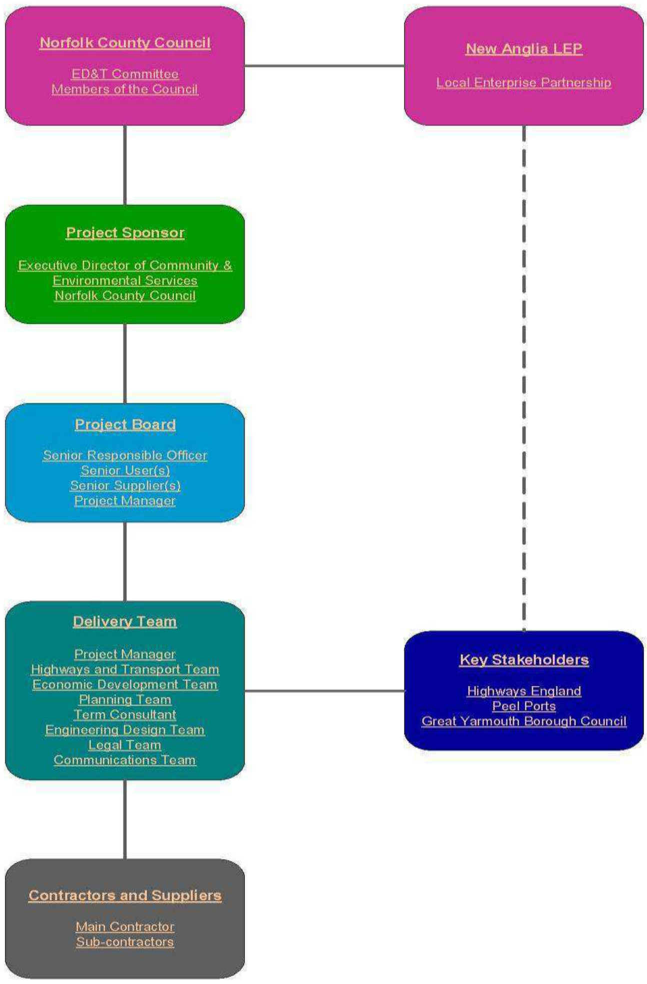
2.1.2. Separate to the funding process, a submission was also made to the Secretary of State to seek confirmation that the GY3RC project is to be considered as being of national significance. This was confirmed by the Secretary of State in a letter dated 26 February 2018, meaning that the project is to be delivered via the DCO process.

2.1.3. The project team has been working to ensure the statutory DCO process and the procurement process are aligned. The target is to complete the statutory consultation for the project starting in mid-August and concluding early in October 2018. The findings from this will be published and will inform the final DCO application documents that remain on target to be submitted in March/April 2019. Details relating to the project and the statutory process have been, and will continue to be, discussed with the Planning Inspectorate, who will ultimately manage the DCO process and appoint the independent Inspector for the examination process.

2.2. Project Governance

The overall project governance is set out in the Outline Business Case (OBC) document, updated with an addendum document issued to DfT in May 2018, something they requested in their OBC approval letter dated 28 November 2017. An extract from the management case, which includes the overall project management and delivery team structure, is included in Appendix A.

Governance structure taken from OBC



2.2.1. The project board meets monthly and provides the strategic oversight of the project, reviewing the project plans/time lines and key risks for the project.

2.2.2. In addition to the project Board a Member Group from the EDT Committee has also been established (following on from their work on the NDR) and their terms of reference are included at Appendix B.

2.2.3. The member working group has met 4 times including the site visit. The working group has been updated on the project including reviewing the risk register and the procurement strategy. The member working group have actively engaged with the process and provided challenge to officers based on the lessons learned from the NDR.

2.3. Key learning

A summary of some key learning points from the NDR and how these have been considered by the member working group and approached for the GY3RC project is set out as follows:

- **Minimising any design changes and also ensuring that overall design responsibility rests with the contractor wherever possible.**
- Early investment in project resources to establish the delivery team with input from specialists where needed (eg cost management).

- **Developing a contract strategy that best balances the overall project risks and provides suitable pricing controls.**
- Investing in sufficient commercial skills to support the client role from the outset of the contract (ie during both design and construction stages).
- **Ensuring risk is actively managed throughout the development and delivery of the project (with robust reporting arrangements).**
- Robust management of 3rd parties to ensure any issues are addressed as early as possible and there is clear sign-off for agreed activities.
- Clear governance arrangements are in place with routes defined to escalate issues appropriately and quickly when necessary.
- **The cost estimate is based on the future cost of delivery and includes both an inflation allowance and risk allowance.**

2.3.1. A number of these issues are addressed through the procurement strategy as set out in appendix C where the successful contractor will be involved in the design stages and as part of the allocation of risk, risk transfer will be clearly defined in the contract.

2.3.2. Independent Gateway Reviews will continue to be utilised for the project at key decision stages. The GY3RC project has already been the subject of an initial gateway review process and there will be another proposed prior to the next key decision regarding the award of the contract.

2.3.3. An internal audit process on the overall project governance is already planned during the last quarter of the current financial year, to fit in with the planned gateway reviews. We would also plan that once the contract has been awarded, for periodic internal audits of contract administration and cost reviews to be completed to evaluate the project compliance with the agreed governance arrangements and NCC policies.

3. Financial Implications

3.1. The OBC submission sets out the financial position for the project. The future cost of delivering the Great Yarmouth Third River Crossing, including allowances for risk and inflation, is estimated at £121m (at out-turn prices).

3.2.

Scheme element	**TOTAL £,000**
Construction	64,496
Utilities	2,747
Land	12,560
Fees	12,763
Base cost	**92,566**
QRA	28,088
Risk-adjusted base cost	**120,653**

3.3. The original cost estimate as set out in the OBC was produced by WSP, the CES term consultancy contract provider, in line with the DfT guidance. As part of the DfT requirement within the OBC funding approval letter, the Financial Case for the project has been updated. The project costs were reviewed by specialist cost consultants. This independent review supports that the basic construction costs as presented in the original OBC are reasonable, with only minor changes to the cost profile to reflect the planned delivery of the project and no changes to the overall project costs. Project costs will continue to be monitored through the project Board overseeing the project and Member working group with reports provided to Committee at appropriate points determined by the Board. The QRA, Quantitative Risk Assessment, is a formal and systematic risk analysis to quantifying the risks associated with the delivery of the project.

3.4. In March 2017 EDT committee approved the submission of the OBC noting the commitment to underwrite the local funding contribution of 20% towards the project on the basis of an approximate cost of £120m going forwards from April 2017 (at outturn cost). This funding is likely to come from a range of sources, however these are still to be confirmed.

3.5. A schedule of potential funding sources, to support the local contribution, has been drawn up by the project team which has been considered by the Board and the Member working group. We continue to review the profile of expenditure and therefore the funding requirement, DfT have confirmed they are happy to provide funding ahead of Full Business Case (FBC) approval and we are working with DfT to review the funding profile.

4. Issues, risks and innovation

4.1. Many of the key risks at this stage still remain as identified previously in Committee reports, such as:

4.1.1. • **Planning Process**: not obtaining planning consent; or receiving unexpected and onerous requirements from the Development Consent Order.

4.1.2. • **Construction**: difficulties in securing a preferred contractor and risk around their tender price being in line with the project budget cost; access for surveys (although the initial surveys are nearing completion) and any preliminary construction; the construction schedule of other A47 schemes being progressed by Highways England potentially conflicting with the bridge works programme; or adverse weather conditions causing delays/damage to construction.

4.1.3. • **Port operations**: the number and type of vessels changing significantly between now and construction, resulting in reduced traffic benefits or greater mitigation requirements; the possible need through the DCO process to alter the bridge to accommodate port operations or vessel movements; or the bridge affects the river sedimentation regime affecting port operations and maintenance.

4.1.4. • **Design/Scope change**: vessel simulations are challenged through the DCO process and there is a need for a bridge wider than 50m clear span; variations from current geotechnical and topographical assumptions impact on the design (although recent ground investigation data should alleviate this risk); or unexpected statutory services are located within the works, particularly if they are under water/anticipated pier and fender locations.

4.2. A detailed project risk register has been developed and is managed by the project delivery team and is reported at the Board meetings. This is also shared with the member working group. It is broken down in details to separately cover Strategic Risks and Operational Risks.

4.2.1. RM024 is considered a strategic risk therefore is considered by the CES departmental management team, CLT and reported as part of the risk monitoring report to EDT committee, Policy & Resources Committee, and this Committee.

4.2.2. We have commissioned specialist consultants, who are in the process of updating the strategy to re-evaluate and re-map the project risks, financially quantify them, and develop a framework for review, update, management and reporting as we move into this next phase of the project to enable the identification of a risk ‘critical path’ to inform areas of focus and prioritisation. The apportionment of risk, and risk management will be an ongoing dynamic process working with the Contractor once appointed through to completion of construction.

5. Background

5.1. In 2009 Cabinet adopted a preferred route for the scheme by way of a dual carriageway link utilising a 50m span bascule bridge over the river, it authorised purchase of properties the subject of valid Blight Notices served upon the Council and agreed for further study work to be undertaken into funding and procurement options. Since then (2009), £2.8m has been invested by the Council to acquire properties and land.

5.2. During 2016 a submission was made to DfT to seek funding to develop the Outline Business Case (OBC) for the 3rd River Crossing (3RC) as part of a fast track programme of the Local Major Projects funding. This bid was successful and £1m was approved by DfT to support the development of the OBC with a deadline for submission of 31 March 2017.

5.3. A report was presented to EDT Committee on 17 March 2017 seeking approval to submit the OBC. Following this approval the submission was made to DfT on 30 March 2017 with a hoped for decision to grant the project 'Programme Entry' status by July 2017. Unfortunately, due to the national elections this date slipped and approval was finally confirmed by DfT on November 2017, however this delay did not impact the project progress and overall timescales remain the same, which is to start construction in October 2020 and complete the project and open the road/bridge by January 2023.

5.4. Since then, a further report was presented to EDT Committee in January 2018, setting out the details of the procurement process for the project and received approval to the following recommendations:

a) Approve the contracting strategy outlined in this report.
b) Agree the proposed approach to social value.
c) Agree the proposed evaluation criteria set out in this report.
d) Agree to form a Member working group to consider in more detail:
- the evaluation model
- mitigation of risk.

e) Delegate to the Executive Director of Environmental and Community Services authority to agree the detailed evaluation criteria, in consultation with the Chairman and Vice-Chairman of the committee and the Head of Procurement.
f) Agree that the Head of Procurement may issue an Official Journal Contract Notice, which will commence the procurement exercise.

5.5. Background reports:

Cabinet 7 December 2009 - Follow this link (see item 22)
EDT Committee 20 May 2016 – Follow this link (see item 9 page 28)
EDT Committee 17 March 2017 - Follow this link (see item 11 page 43)
EDT Committee 15 September 2017 – Follow this link (see item 15 page 98)
EDT Committee 10 November 2017 – Follow this link (see item 10 page 91)
EDT Committee 19 January 2018 – Follow this link (see item 13 page 202)

Officer Contact

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

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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 0344 800 8011 (textphone) and we will do our best to help.

1 Introduction

The management case has been updated to reflect changes since the submission of the OBC in March 2017.

2 Project governance, organisation structure and roles

The organisational and governance structure has been updated since the submission of the OBC. The current structure is reproduced below as Figure 4-1.

Project Sponsor

The Project Sponsor is Norfolk County Council, represented by Tom McCabe, the Council's Executive Director of Community and Environmental Services.

Senior Responsible Officer

There is no change to the Senior Responsible Officer.

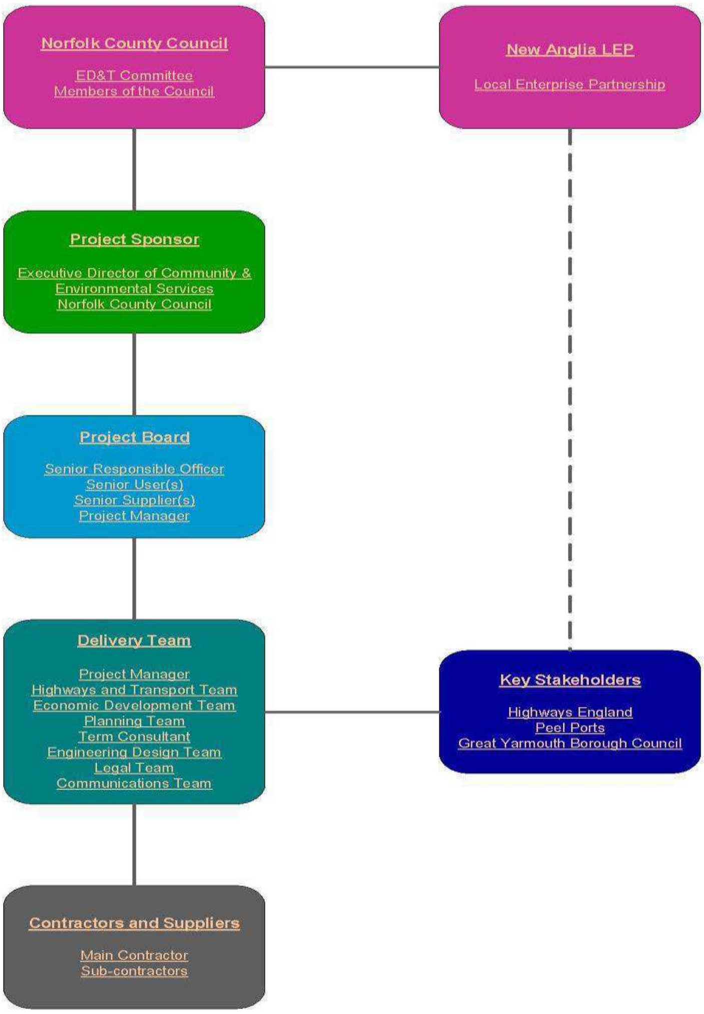

Figure 4-1 Governance diagram

Project Board

The Project Board will meet monthly until the project has been completed, after which it will make arrangements for ongoing oversight and reporting of monitoring and evaluation.

The Project Board has been updated since the submission of the OBC. The current Project Board is shown in the table below and will consist of people in the following roles:

Role	Responsibilities	Name	Position
Project Sponsor	Chair of Project Board	Tom McCabe	Executive Director of Community and Environmental Services (NCC)
Project Owner and Senior Responsible Owner (SRO) The "customer" for the scheme, representing the public's interests	Responsible for the successful delivery of the project, ensuring that it meets its objectives and delivers its intended benefits	David Allfrey	Infrastructure Delivery Manager (NCC)
Senior User	Represents the interests of all those who will use the scheme. Monitors and manages user-related risks	David Glason	Group Manager for Growth (GYBC)
New Anglia LEP Representative	Represents the interests of the LEP	Ellen Goodwin	Infrastructure Manager (NA LEP)
Department for Transport Representative	Represents the interests of the DfT	TBC	
Senior Supplier	Represents those who are designing, developing, facilitating, procuring and implementing the scheme. Verifies the quality of products delivered by suppliers, resolves supplier conflicts, and monitors and manages supplier-related risks.	Joanna Lyon	Project Director (WSP)
Project Director/Executive	Oversee the development and coordination of the case for the project and ensure it remains in line with the wider county council and LEP priorities	Vince Muspratt	Assistant Director Economic Development and Strategy and Infrastructure and Economic Growth Manager (NCC)
Project Director/Executive	Oversee the development and coordination of the case for the project and ensure it remains in line with the wider county council and LEP priorities	Nick Tupper	Assistant Director Highways (NCC)
Project Assurance	Considering the end product of each work package against the plan and specification, and confirming that it is fit for purpose	Ian Parkes	Principal Infrastructure and Economic Growth Planner (NCC)

Project Communication	Responsible for communication planning and management	Susie Lockwood	Project communication lead officer (NCC)
Project Finance	Review budget and costs to ensure funding available	Andrew Skiggs	Finance lead and CES Business Partner (NCC)
Procurement Advisor	Leading procurement strategy/delivery process	Al Collier	Head of Procurement (NCC)
Project Manager	Managing the project to ensure that it delivers the required products within the agreed constraints. Co-ordinating the work of the delivery team	Mark Kemp	Project Manager (NCC)

Table 4-1 Project Board membership and roles

Delivery Team

The Delivery Team has been updated since the submission of the OBC. The current Delivery Team is shown in the table below and will consist of people in the following roles:

Role	Responsibility	Name
Senior Responsible Officer/ Project Owner (NCC)	Chair of Delivery Team Provides reports to Project Board	David Allfrey *(Infrastructure Delivery Manager)*
Project Manager (NCC)	Project delivery lead, coordinating workstreams and key activities	Mark Kemp *(Project Manager)*
Infrastructure and Economic Growth Team (NCC)	Alignment with wider planning and economy strategies/targets	Ian Parkes (Principal IEG Planner)
Finance Team (NCC)	Financial monitoring and reporting	Andrew Skiggs *(Finance Business Partner)*
Legal team (NPLaw)	Specialist legal advice & coordination with Counsel	Jane Linley *(Team Lead (Planning and Environment)*
Communications Lead (NCC)	Develop communications plan Stakeholder management Press liaison	Susie Lockwood (*Project communications lead officer*)
Project Director: Term consultant (WSP)	Develop Full Business Case Co-ordinate design and delivery Monitoring and evaluation	Joanna Lyon (*WSP project director and project resource coordination*)
Programme Manager (WSP)	Overall programme management and the management of WSP workstreams	Shay Goane *(Project Manager)*

Discipline lead for Procurement (NCC)	Develop procurement strategy and overall management and coordination of the procurement workstream	Al Collier *(Head of Procurement)*
Discipline lead for Procurement (WSP)	Management and coordination of WSP input into the procurement documents	Dennis Hill *(Director WSP – Technical Lead, Procurement)*
Discipline lead for Commercial (NCC)	Financial management including task order management. Risk management and review. CES commercial input into the procurement process	Nigel Seago *(Special Projects Manager)*
Discipline lead for Design (WSP)	Management and coordination of the design workstream	Richard Flowers *(Design Coordinator)*

Table 4-2 Delivery Team members and roles

An organisation diagram of the delivery team is shown in Figure 4-2.

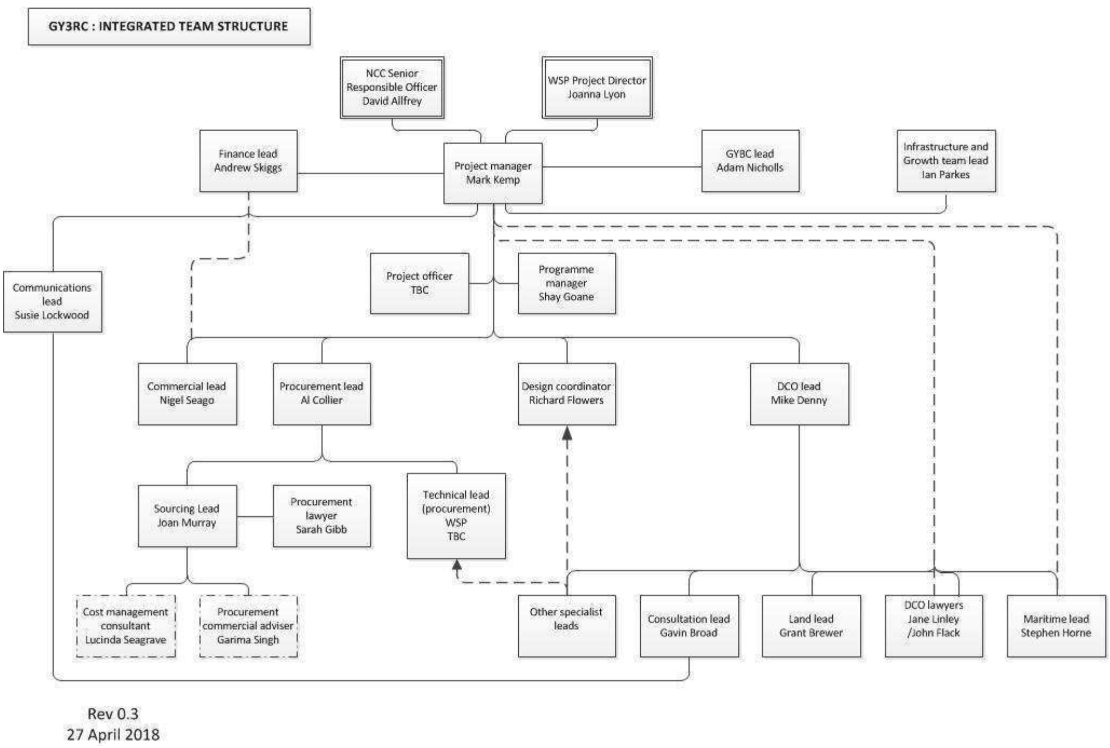

Figure 4-2 Organisation diagram of the delivery team

3 Programme and project plan

The project programme has been updated and developed in greater detail since the submission of the OBC. Key milestones completed include:

- Informal public consultation undertaken on the project during September and October 2017;
- A Direction was received from the Secretary of State under Section 35 of the Planning Act 2008 that the project is to be treated as development for which development consent is required on 26 February 2018;
- An OJEU Contract Notice was placed on 28 February 2018 and Invitation to Participate in Dialogue was issued to shortlisted Bidders on 20 April 2018.

The current project programme is set out in Appendix A. This is a rolled up version of the full programme and shows the critical path.

4 Assurance and approvals plan

Assurance – Gateway reviews

An independent Gateway 1 (Business Justification) review was undertaken by Local Partnerships in July 2017. Recommendations from the review and progress to date for each recommendation are set out in the Gateway Review Action Plan in Appendix B.

The next Gateway review stage for the Great Yarmouth Third Crossing scheme is proposed prior to appointment of a preferred contractor.

5 Communications and Stakeholder Management

Update on public consultation carried out

A three stage consultation process has been adopted for the project as shown in Table 4-3.

Stage	Purpose	Timescale
Stage 1 Initial engagement consultation	Understand views on congestion, share emerging proposals and understand level of support	Completed January 2017
Stage 2 Scheme development consultation	Understand views on the bridge development work so far	Completed September – October 2017
Stage 3 Pre- application consultation	Present details of the proposed scheme and understand views on it before an application for planning consent	Planned for August – October 2018

Table 4-3 Stages of public consultation

The preferred scheme taken forward to Stage 2 consultation was a bascule bridge with a clearance of 4.5m over the water at an average high tide. An alternative bridge type (a swing bridge) that could be built was also suggested as part of the consultation.

The consultation responses indicate an overall support for a bascule bridge over a swing bridge. However, there were responses, particularly written responses from port businesses, expressing concern regarding the effects of the Third River Crossing on port and river related activities.

Taking into consideration the consultation results, on balance the preferred option for a Third River Crossing still remains a bascule bridge with 4.5m clearance. However, the concerns relating to port and river related businesses are acknowledged, and further work is being undertaken in consultation with these businesses to fully understand their concerns and consider ways to mitigate them.

The issues raised during the Stage 2 consultation are being carefully considered during the current stage of scheme development. This will include how to better engage stakeholders during the next round of consultations.

6 Project reporting

Progress will be reported to the County Council's Environment, Development and Transport (EDT) Committee which has executive powers. Recent reports considered by the EDT Committee include:

- Project progress report - 15 September 2017;
- Results of the Stage 2 scheme development public consultation - 10 November 2017;
- Report to seek approval to place OJEU notice to commence the procurement process - 19 January 2018.

Appendix B

Terms of Reference for the Great Yarmouth 3rd River Crossing (3RC) Member Group:

1 Introduction

At its meeting on 19 January 2018 the EDT Committee received a report setting out the procurement proposals for the project. The report set out a number of recommendations that were agreed by Committee, as follows:

- APPROVE the contracting strategy outlined in this report;
- AGREE the proposed approach to social value;
- AGREE the proposed evaluation criteria set out in this report;
- AGREE to form a Member working group to consider in more detail:
  - the evaluation model;
  - mitigation of risk;
- DELEGATE to the Executive Director of Environmental & Community Services authority to agree the detailed evaluation criteria, in consultation with the Chairman and Vice-Chairman of the committee and the Head of Procurement;
- AGREE that the Head of Procurement may issue an Official Journal Contract Notice, which would commence the procurement exercise.

In relation to the fourth item above, the Committee Chairman proposed that the Norwich Distributor Road working group continued over to the Third River Crossing Working Group and nominated Mr M Castle to attend as he is also a local Member. The Committee AGREED this proposal and nomination.

2 Members of the Group

Committee has therefore agreed that the following Members should be part of the GY3RC Member Group:

Colin Foulger (to chair the meetings)
Mick Castle (Local Member)
Judy Oliver
Anthony White
Terry Jermy
Tim East

Officers would attend the meetings as needed, however key project leads are David Allfrey (Infrastructure Delivery Manager), Al Collier (Head of Procurement), Mark Kemp (Project Manager) and, to continue input from experience on the NDR project, Brett Rivett (NDR Commercial Team Manager). In addition, Andrew Skiggs (Finance Business Partner, EDT) would also attend.

3 Scope of Member Group

The Group agreed the following as its primary role (all of which takes into account the notes for guidance for Member Groups):

1. To receive updates on the project progress and any key issues.
2. To review project details relating to the overall project delivery, but with a focus on the statutory process, procurement/commercial, contract/legal and programme/budget position of the project.
3. To receive updates and comment on any key project risks.
4. To monitor progress of procurement, taking account of the agreed evaluation criteria and experience from the NDR contract.
5. To review and question the details behind and project changes and cost implications and seek further details if needed.
6. To receive and review any audit details when carried out, including any terms of reference.
7. To review overall project delivery with an understanding of issues experienced during the delivery of the construction of the NDR project, identifying best practice to inform ongoing learning.
8. To develop and agree brief update reports to advise Committee.
9. To provide verbal updates at Committee (but taking into account the potential confidential nature of most information).
10. Identify opportunities to highlight the benefits of the project, including for the local communities and businesses.

1 Risk allocation and transfer

The general principle is that risks should be passed to the party best able to manage them, subject to value for money.

This section provides an assessment of how the associated risks might be apportioned between the Council and the contractor.

Risk Category	Potential allocation	
	Council	Contractor
Design risk		The Contractor will have single-point design responsibility
Construction & development risk	The starting point will be the standard risk allocation in the NEC4 ECC contract. This will be tailored to reflect the specifics of the scheme. See further discussion below.	
Transition and implementation risk	Risks associated with marine and vehicle traffic flow will (subject to the bridge performing in accordance with the contract, which is a Contractor risk) be borne by the Client	Successful commissioning will be a contractor risk
Availability and performance risk	The contract will contain a performance specification; failure to meet this would be a defect. As this will be a target cost contract, the cost of rectification would be shared.	
Operating risk	The council will take the operating risk	
Variability of revenue risks	Not applicable	
Termination risks	The contract will enable the council to terminate in Stage One in the event that funding is not made available or if the final target price exceeds the tendered price by more than 7.5% (subject to indexation). Otherwise, the standard ECC termination position applies, with additional grounds for termination if the Contractor: • is convicted or has been convicted of a criminal offence relating to the conduct of its business or profession; or • commits or is found to have committed an act of grave misconduct in the course of its business or profession; or • fails or has failed to comply with any obligations relating to the payment of any taxes or social security contributions; or • has made any serious misrepresentations in the tendering process for any project or matter in which the public sector has or had a significant participation; or • fails to obtain any necessary licences or to obtain or maintain membership of any relevant body; or • demerges into two or more firms, merges with another firm, incorporates or otherwise changes its legal form or there is a change of control as defined by section 416 of the Income and Corporation Taxes Act and, in any such change of control, there are reasonable grounds relating to the financial standing of the new entity that is proposed to Provide the Works for the Client to withhold its consent.	

Risk Category	Potential allocation	
Technology & obsolescence risks	The council takes the obsolescence risk during the bridge's operational life.	The Contractor takes the initial performance risk associated with choice of technology.
Residual value risks	Residual value risk is retained by the Council	
Financing risks	Financing risk is retained by the public sector	
Legislative risks	A post-contract change in customs tariffs as a result of Brexit will be a compensation event.	NEC option X2 will not be used

Table 3-8 Potential risk allocation

2 Construction risk

The standard NEC position will be tailored as follows.

Risk	Position
Weather	Wind speed will be added to the list of weather events
Physical conditions – flood	The consequences of tidal flooding will be specifically agreed in dialogue
Utilities	The consequences of delay caused by utilities issues will be specifically agreed in dialogue

Table 3-9 Construction risk assumptions

Extensive ground investigation has been undertaken (and additional marine GI commissioned) to enable the standard NEC position on physical conditions (Clause 60.1 (12)) to be tightened. This will be discussed in dialogue.

Audit Committee

Item No……

Report title:	**Governance, Control and Risk Management of Treasury Management**
Date of meeting:	**31 July 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

Treasury management in local authorities is tightly 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.

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 2017-18, 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 20 February 2017)

- a mid-year treasury update report (County Council 11 December 2017)
- annual report following the year-end describing activity (County Council 23 July 2018 (supplementary agenda)).

All reports to County Council had been considered by the preceding Policy and Resources Committee. To aid transparency these reports were presented as agenda items and reports in their own right, rather than as appendices to other 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 2017-18" was presented to Policy and Resources and then Council in January/February 2017 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 the financial year-end, an "Annual Treasury Management Report 2017-18" was presented to the Treasury Management Panel in May 2018, Policy and Resources Committee in June 2018, and the County Council in July 2018. 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 2017 to March 2018) 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 2017-18, Policy and Resources Committee received regular treasury management summaries. These short reports provided key treasury management information such as the levels of cash balances and details of new borrowing.

2.10 Through 2017-18, the Treasury Management Panel provided scrutiny of treasury activity. Reports to Policy and Resources Committee are amended where appropriate to incorporate comments or views expressed by the Panel. The 2017-18 outturn report has been amended to include graphs and ratios suggested at the January P&R meeting. There are no outstanding actions/recommendations from meetings of the Panel during 2017-18.

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 2017. No adverse 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. **Changes to Codes of Practice**

Non-treasury investments are classed as capital expenditure and approved and monitored as part of the capital programme. In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focussed on non-treasury investments including the purchase of property with a view to generating income, or projects where cash balances are invested for policy purposes.

Although full implementation of the new Code is not required until 2019-20, a list of non-treasury investments was added to the 2017-18 outturn report with a view to incorporating these non-treasury management investments into future Treasury Management strategies.

The new Code has also made some relatively minor amendments to recommended Prudential Indicators, which will be incorporated into the 2019-20 Treasury Management Strategy.

4.2. **Risk management**

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.

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 tightly 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 December 2017. The specific clauses and policy statements remained unchanged from the 2011 Code, and in turn the 2009 Code which the County Council adopted in February 2010 as part of its financial regulations and procedures. These recommended clauses are incorporated in Section 4.7 of the Council's Financial Regulations.

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. In December 2008, Cabinet approved the establishment of a cross-party Member Panel with specific responsibilities for Treasury Management. This followed the collapse of the Icelandic banks in October 2008. As well as monitoring recovery of the Council's Icelandic Investments, the Panel's responsibilities include:

- 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.'

Officer Contact

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Audit Committee

Item No:

Report title:	**Liquidlogic/Social Care System Replacement Implementation**
Date of meeting:	**31 July 2018**
Responsible Chief Officer:	**James Bullion, Executive Director of Adult Social Services**

Strategic impact

CareFirst was NCC's social care system from November 2007. It was a key core system for NCC and its availability and functionality were business-critical. The system was used until recently by Adult Social Services, Children's Services, Finance Exchequer Services for paying providers of social care and charging for social care and Procurement for contract administration.

The objective of the Social Care System Replacement programme is to procure and implement a social care information system for Norfolk County Council that will meet current and future business requirements, including integration with partners, which will enable us to support vulnerable people most effectively. This is the platform on which savings, integration and service improvements can be developed and delivered.

Executive summary

The purpose of this report is to inform the Audit Committee of the progress of the Social Care System Replacement (SCSR) programme in light of the corporate risk: Risk RM109, "Failure to deliver a new fit for purpose social care system on time and to budget". Currently this has a risk score of 15 (amber) with "green" prospects of meeting the target risk score by the target date of 30 June 2018.

It should be read in conjunction with the previous report presented to this Committee on 19 April 2018, which included more detail on the reasons for replacing CareFirst, the benefits and the work to that date.

Following a rigorous procurement process NCC awarded the contract for the new system to Liquidlogic in August 2016.

Phase One has now been delivered: the Adults and Finance Go Live took place on schedule and after live testing, was released to staff on 22 November 2017; Children's and Finance Go Live went live on 3 May, with the completion of the first pay run for Direct Payments on 11 May.

The departments want to fully exploit the potential benefits of the new Liquidlogic and ContrOCC systems and Phase Two of the Programme is underway.

The programme is forecast to be on budget.

Based on other local authorities' experience it is very rare to deliver this volume of functionality in Phase One and is testament to the quality, dedication, hard work and determination of the project team.

Recommendation:

The Audit Committee are asked to note the progress on delivering the new Social Care System for Adult Social Services, Children's and Finance and to consider whether they would like any further reports at future meetings of this Committee.

1 Introduction and Background

1.1 CareFirst was NCC's social care system since November 2007. It was a key core system for NCC and its availability and functionality were business-critical. The system was used until recently by Adult Social Services, Children's Services, Finance Exchequer Services for paying providers of adult social care and charging for social care and Procurement for contract administration.

1.2 There were a number of reasons for replacing CareFirst. The key benefits are:
1) A resilient and adaptable system to underpin our planning and delivery of social care through to 2025;
2) Efficiencies, integration and service improvement through an intuitive, flexible system;
3) Compliance with the legal and procurement imperatives.

1.3 The Policy and Resources Committee agreed on 8 February 2016 to the procurement of a replacement social care recording system. NCC awarded the contract to the new system provider, Liquidlogic, on 31 August 2016.

2 Phase One

2.1 The project scope and timescales were ambitious and challenging. The project implemented the new system (LAS – Liquidlogic Adults System) for Adult Social Care and associated Finance functions (ContrOCC) on 22 November 2017.

LCS (Liquidlogic Children's System) and EHM (Early Help Module) for Children's Services and associated finance functions (ContrOCC) went live on 3 May 2018. Following this the programme successfully went live on 3 May 2018 with the new integrated system covering social care LCS (Liquidlogic Children's System), Early Help Module (EHM) and ContrOCC for financial payments. This also includes Adoption and, Fostering pathways and four unique workspaces for specialist areas e.g. Legal work.

2.2 The new Children's and Finance systems have been live for approximately a month at the time of writing this report and the project team are continuing to support the business as usual teams as planned. Overall the implementation of the new system has been received positively. There are a few issues being addressed by the helpdesk and project team. These are in line with our expectations based on the experience of the Adults implementation and those from other local authorities. The main issue remains improving the accuracy of some reports. This is being monitored at Programme Board level and is being addressed by LiquidLogic and NCC staff.

2.3 The transition from project to Business as usual has started in a limited way and will be completed when the new support team model is in place in September.

2.4 Based on other local authorities experience it is very rare to deliver this volume of functionality in Phase One and is testament to the quality, dedication, hard work and determination of the project team.

3 Phase Two

3.1 The departments want to fully exploit the potential benefits of the new Liquidlogic and ContrOCC systems. Early work was carried out to shape up a programme of work for Phase 2 Adult Social Services and Finance so that the momentum carried on after November 2017 and the following projects have been initiated to date:

3.2 **Mobile App and Device**

3.2.1 This project is delivering a 100-user pilot of two types of touchscreen devices to five teams to determine which works best in a front line working environment, and whether the Mobile app with offline working capability provides a better balance of cost / benefit, usability and service user experience than LAS accessed on the move via data SIM.

3.2.2 Preparations for the pilot are progressing well. Testing of the mobile application has completed and defects have been raised with the supplier for resolution action. The roll out plan is to take the app and devices out to five teams in the weeks following provision of the updated mobile app on 13 July.

3.2.3 The teams have responded very positively to the pilot so far and workshops are being booked with each team to agree specific changes to their ways of working that they believe the device, app and connectivity will enable and these will be tracked through the pilot.

3.2.4 The principal concern is with the availability of devices to support the pilot. The provider has not provided the all the 10 devices in the initial two batches. A third procurement of 80 devices has been initiated and hopefully this supplier will be better able to meet their commitments. Late delivery will impact the timescales of the pilot.

3.3 **Client and Online Financial Assessment Portals**

3.3.1 This project enables online interaction with citizens and service users, thus giving people another option of how to work with NCC. Primarily it enables online referrals, needs assessment and financial assessment. It also enables secure sharing of documentation and update of personal details. Other portals are under development in the Finance area to provide online access to invoices and statements, ability to make online payment and secure communication. These will be brought in to the project as they become available.

3.3.2 This work is also progressing well. The project team are working with Customer Services to design the customer journey and placement of the portal in relation to the corporate website and the new Norfolk Community Directory. Initial configuration of the Online Financial Assessment is complete and early testing is expected to be carried out from 4 June.

3.3.3 A presentation was made to the Making It Real board in line with the plan to engage user reference groups. Members of the group are concerned that it was not possible to attach sign language clips to each form screen or to use third partly screen reader software (for data security reasons / hack risk). The project team is working with the Making it Real Board to explain the reasons and with the supplier to progress accessibility tools.

3.4 **MarketPlace e-Brokerage module**

3.4.1 This will improve the efficiency of the Council's processes with the care and support market, provide information about capacity and increase the Council's ability to create new markets to meet care and support needs. By linking this with the new Norfolk Community Directory it will also help NCC to improve its offer to people who fund their own care, voluntary organisations supporting people, unpaid carers and others. This is in accordance with duties outlined in the Care Act around Information, advice and support, as people will be able to see what care there is, the quality etc and then potentially buy it on-line.

3.4.2 The project has successfully recruited a Business Lead and work is starting in earnest to shape up this piece of work. The business lead has met with some key stakeholders and has also visited two reference site contacts provided by the software supplier at their home location: West London Alliance at Ealing Council; and Surrey County Council. These have provided live system demonstrations and some high-quality information on implementation planning and provider engagement.

3.5 **Integration**

3.5.1 One of the benefits of Liquidlogic is that it can facilitate integrated working and data sharing with NHS and other public sector partners. Adult Social Services locality teams are integrated with NCH&C. NCH&C use SystmOne as their recording system, which is provided by TPP. The project team have pursued TPP to work with Liquidlogic to integrate SystmOne and LAS. TPP have said they would be willing to work with Liquidlogic if they will work to NHS Standards (CareConnect) however these are not yet published/formalised so Liquidlogic cannot do this. IMT are looking at how we can work around this problem.

3.5.2 IMT are also progressing taking a single care record forward using feed from the Eclipse system, used by many GPs in Norfolk, with Liquidlogic data.

4 Children's Phase Two

A couple of sessions have been held with Children's Services Leadership Team (CSLT) to understand the high-level requirements for Phase Two deliverables for Children's, Early Help and Finance. These include piloting mobile working using new NCC hardware and software from LiquidLogic, establishing the use of the Professional Portal and Children's Portal. In addition, finance related projects have been initiated to extend the use of ContrOCC to other contract areas and to implement the Children's Finance Provider Portal. This is currently being ratified by CSLT and programme governance. Discussions are ongoing with the supplier to secure appropriate delivery slots and initial work is underway to understand and plan the resource needed to deliver the Phase Two items.

5 Financial Implications

5.1 The programme overall remains forecast to be on budget.

6 Issues, risks and innovation.

6.1 At the time of Policy and Resources Committee on 8 February 2016 the major risks identified were:

a) Being unable to resource the project to meet the April 2018 deadline
b) Setting a scope that is either too ambitious or not challenging enough
c) The market may not provide an affordable solution
d) It may be difficult to establish costs and fund the project
e) National and local agendas may cause our requirements to change radically between procuring and implementing the system
f) Corporate governance may be challenging to establish standard requirements for a complex project involving users from four council departments and three committees.

These risks are being successfully managed.

6.2 The Programme has a Risk Register which is reviewed regularly by the JLAG Leads and by the Programme Board. Given the scope, size and nature of the programme the project team and Board are managing risks and issues all the time.

6.3 The key risks, issues and the mitigations currently are:

a) Ensuring sufficient resources are in place to deliver the Phase Two projects. Phase Two of the programme is in a very different form to Phase One with several small projects rather than the two large Phase One projects. There is no longer a need for specialist workstream lead roles for Testing, Data Migration etc. Instead the programme has small multifunctional teams to support the projects. People are being recruited to the roles in Phase Two or moved across into them from other programme roles as appropriate.

b) Staff not fully embracing changes in ways of working that are required, for example mobile app. The teams have responded very positively to the mobile app pilot so far and workshops are being booked with each of the five teams to agree specific changes to their ways of working that they believe the device, app and connectivity will enable. These will be tracked through the pilot and used to inform the full roll-out.

7 Conclusion

7.1 The SCSR programme has progressed well with an ambitious scope and timeline since the Policy and Resources Committee agreed on 8 February 2016 to the procurement of a replacement social care recording system.

7.2 The Adults and Finance Go Live took place on schedule and after live testing, was successfully released to staff on 22 November 2017.

7.3 Children's and Finance Go Live went live on 3 May, with the completion of the first pay run for Direct Payments on 11 May.

7.4 The departments want to fully exploit the potential benefits of the new Liquidlogic and ContrOCC systems and Phase Two of the Programme is underway.

7.5 The programme is forecast to be on budget.

8 Recommendation

8.1 **The Audit Committee are asked to note the progress on delivering the new Social Care System for Adult Social Services, Children's and Finance and to consider whether they would like any further reports at future meetings of this Committee.**

Officer Contact

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Audit Committee

Item No……

Report title:	**Norfolk Audit Services Report for the Quarter ending 30th June 2018**
Date of meeting:	**31 July 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

The Audit Committee provide proactive leadership and direction on audit governance and risk management issues, in accordance with their terms of reference which are part of the Council's Constitution, part 4.1 (4.4) (page 13) being:

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.

C. RISK MANAGEMENT

5. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.

The Accounts and Audit Regulations 2015 require that, from April 1 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards.

Executive summary

The Council has approved a clear set of priorities 'Norfolk Futures', based around the Administration's 'Caring for our County' priorities. Internal Audit's work will contribute to these new priorities.

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 (2.22)
- External matters of Note (2.26)

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 No final 2018/19 reports have been issued in quarter 1. Progress with delivering the audits brought forward from the 2017/18 Audit Plan is shown in Table 1 below. Progress with delivering the 2018/19 Audit Plan (first half year) is shown in Tables 2 and 3 below. Details of the number of Corporate High Priority Audit Findings are shown in Table 4.

Table 1: T**he thirteen 2017-18 Audits Brought Forward**

Report Type	2017/18 B/fwd
Draft Reports Issued (WIP)	5
Final Reports Issued (non-schools)	5
Management Letters Issued	2
Total Audits for Opinion Work	**12**
Traded Schools (including traded audits and health checks)	1
Total	**13**

Table 2: **The 2018-19 (Q1 and Q2) Audit Plan: at end of Quarter 1**

Work Type	Audits Not Started	Work in Progress	Draft Report Issued	Total
Opinion Work	**14**	**12**	**1**	**27**
Traded Schools (including traded audits and health checks)	**1**	**2**	**1**	**4**
Schools – Compliance / themed Audits)	0	1	0	1
Pensions	2	2	0	4
Totals	**17**	**17**	**2**	**36**

Table 3: **Certified Grant Claims (Q1 and Q2): at end of Quarter 1**

Grant Type	Number of Grant Certifications Required in Q1/2	Number of Grant Claims Certified at end of Q1
LGA (Local Government Association)	7	2
EU	4	2
External Clients	0	0
Internal Clients	2	2
Total	**13**	**6**

External Clients: -

Our audit work for the EIFCA (Eastern Inshore Fisheries and Conservation Authority) was planned in Quarter 1 and has been completed.

2.5 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. There are no findings that are rated as Amber or Red. Four findings are rated Blue for removal as they have been completed. Details are shown in Table 4 below:

Table 4: Corporate High Priority Audit Findings

Department	Green Rated	Amber Rated	Blue Rated	Total
Adult Care	0	0	0	0
Children's Services	0	0	1	1
Communities and Environment	1	0	0	1
Finance and Commercial Services	11	0	3	14
Total NCC	**12**	**0**	**4**	**16**
Schools	0	0	0	0
Total Corporate High Priority Findings	**12**	**0**	**4**	**16**

2.6 There has been a satisfactory take up of Traded Schools Audits. Table 1 above details Quarter 1 activity (1 audit) and a further two Traded School Audits have been booked for Quarter 2, with two further enquiries to be followed up and booked for quarters 3 and 4.

2.7 Details were set out in the separate Internal Audit Strategy report to the January 2018 meeting of this Committee, to develop an action plan for the Internal Audit Team to further develop four 'ways of working', these being:

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

2.8 Strategy into Action / Accountability – we have enhanced the audit planning process whereby deadlines dates for each step in the audit process are documented for planning and monitoring purposes. Managers are spending more time with the Senior Auditors, challenging the adequacy and appropriateness of the budgets set as well as reviewing the scheduling of all parts of the audit process. Ongoing regular monitoring is helping to ensure audit work moves forward within the timescales set. A new protocol for working with our contracted audit firm, BDO has also been agreed and will ensure that audits contracted out also move forward within the timescales agreed.

2.9 Commerciality / Business Like: - In Quarter 1, we reviewed the basis of our approach to charging our time for grant certifications for both internal and external clients and in line with Council policy we have moved to a full cost recovery hourly rate. These rates will now apply to all grant certification work in 2018/19. We will also be reviewing our blended daily rate which we use to charge eternal clients for audit work in 2018/19 as well.

2.10 Data Analytics / Evidence Based: - We have been looking at the Information Management Team's (IMT) business intelligence and analytics platform that has a central repository to hold the Council's and third party data and the associated data analytics software and how we can use this in our audit work. We are in the process of identifying what data we wish to analyse and in Quarter 2 we will be learning how to use the software and exploring which audits would benefit from data analytic testing.

Whistleblowing

2.11 The responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. An appropriate investigator will be allocated where an investigation is required.

Anti-Fraud and Corruption

2.12 An Anti-fraud action plan has been approved by this Committee.

Ongoing projects are to review and update the following:

- Rolling out the e-learning packages for all key employees
- Promotion of the Strategy and related policies such as the Whistleblowing Policy (para 2.10)

2.13 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.

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

2.15 Satisfaction Questionnaires are issued with draft reports and when grant certification work is completed. We have received positive feedback for 6 responses in the quarter ending 1st January 2018 – 30th June 2018, 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. We will also be reviewing the client feedback process during 2018/19 and considering if there is a better way of obtaining client feedback.

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

2.17 **Other relevant information**

External Review of compliance with the Public Sector Internal Auditing Standards (PSIAS) – Status is Current

2.18 It is a requirement that every five years an independent external review of our compliance with the PSIAS is undertaken. CIPFA Services were commissioned to undertake this review in early May 2017. The review identified no areas of non-compliance with the Standards that would affect the overall scope or operation of internal audit activity. Nine out of the eleven recommendation are completed, one is in progress and the actions for one is not due to be completed yet. Eight of the eleven suggestions are completed, two are in progress and the actions for one are not due yet.

2.19 A self-review of the quality of audit files completed in quarters 1 and 2 is due to take place in quarter 3 as part of our ongoing Quality Assurance Improvement Plan. The results of this self-review will be shared with the Executive Director of Finance and Commercial Services and the Team for action. Currently, Managers are actively involved in reviewing audit working papers as of the implementation of improvements in the recording of audit work.

2.20 LGPS Pooling Update

a. The Government requires regional Local Government Pension Scheme (LGPS) Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.

b. The Norfolk Pension Fund is working with 10 other Administering Authorities, collectively known as the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool. 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.

c. The ACCESS Pool is governed by a Joint Committee made up of one elected councillor from each authority’s Pensions Committee. Norfolk is represented by the Pension Committee Chair (Cllr Jordan). The Norfolk Pensions Committee receive quarterly progress reports on the work of ACCESS.

d. In March 2018, the ACCESS Funds appointed Link Fund Solutions Ltd (Link) to provide regulated financial services to the Pool. Link will be responsible for establishing and operating a range of investment sub-funds into which the ACCESS Funds will invest.

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. The FCE Auditor joined the team in January 2018.

2.24 The Annual Statement of Accounts and the Annual Control Report for 2017 have been submitted to the EC. The 2018 Audit Strategy and Audit Plan have been agreed.

2.25 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.

2.26 External Matters of Note

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

1. https://www.nao.org.uk/report/transformation-guidance-for-audit-committees
2. https://www.nao.org.uk/report/ofsteds-inspection-of-schools/

2.28 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. All audits are allocated a budget in days which determines the budgeted cost for the audit. A target for 2018-19 has been set to deliver 100% of audit work within budget. This is to allow the Team to adjust to the new ways of working which have been implemented for the 2018/19 audit year. Audit budgets are actively monitored by the Managers and the reasons for exceeding budgets, where this occurs, result in agreement as to how this will be avoided going forward, with improvements and suggestions made to help the Senor Auditors keep audits within budget.

3.3. 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 must 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:

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter 1 ending 30 June 2018 and for audit B/Fwd from 2017/18

In the 1st Quarter for the 2018/19 Audit Plan no final reports were issued; six grant claims were certified.

For the audits brought forward from 2017/18 Audit Plan, five final reports were issued, two Management Letters and one Traded School Audit report.

Final Reports: - B/Fwd from 2017/18

Opinion Work (Audit opinion provided is shown in brackets)

1. Family Focus Quality Assurance Processes (Acceptable)
2. Property Building Management (Key issues to be addressed)
3. Anti-Fraud & Corruption Audit - Declaration of Interests (Key issues to be addressed)
4. Conduct of Procurement by NPS (Acceptable)
5. Public Health Grant (Key Issues to be addressed)

6. National Minimum Wage (Management Letter) (Acceptable)
7. Cyber Security Follow Up (Management Letter) (Key issues to be addressed)

Traded Audits

8. Redcastle Family School (Acceptable)

School Traded Health checks

9. None

Certified Grants in 2018/19

10. Police and Crime Panel (P/e March 2018)
11. Payments by Results (Family Focus) (P/e June 2018)
12. LGA – Transforming Care (P/e June 2018)
13. LGA – Additional Pothole Funding
14. EU – BID-REX (P/e April 2018)
15. EU – SAIL (P/e March 2018)

Appendix B

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 67.5% for the 2018-19 year. This takes into account time required for general management, training, team development and induction of new or temporary staff and excludes team members who work on FCE audit work, risk management and investigative work.

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	7	6
Grants	0	0
Analysis of results:		
	Expectations Met*	**Disappointed or Very Disappointed**
	6	0

*The simpler electronic "Smart Survey" based questionnaire was launched from 1 January 2015 onwards to increase the likelihood of returns.

Audit Committee

Item No……

Report title:	**Yearly Update of the Audit Committee**
Date of meeting:	**31st July 2018**
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.

Executive summary

This report, which summarises the work of the Audit Committee from the 1 April 2017 to 31 March 2018, confirms that during 2017-18 its function has been consistent with best practice, demonstrates the impact of its work and explains how it adds value. Its work is reported to full Council. The Committee has demonstrated its effectiveness through:

- considering and approving the Annual Statement of Accounts and Annual Governance Statement 2016-17, at its September 2017 meeting, and

- over the year has added value through considering and if appropriate challenging;

    - the External Auditor's reports
    - internal audit and strategic risk management reports, performance and effectiveness during the year
    - the corporate risk register activity
    - the Council's progress with managing corporate high priority findings
    - plans and action to prevent, detect and investigate fraud

Recommendation:

The Audit Committee should consider that the arrangements are satisfactory and note that the Committee

- is independent of the executive function, reports directly to full Council and has terms of reference that are consistent with CIPFA's 2016 guidance and best practice,
- provides effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public; and
- can demonstrate the impact and value of its work

1. Proposal (or options)

1.1 The proposal is shown at the Executive summary above.

2. Evidence

2.1 The last such report was presented at the Audit Committee meeting in January 2017. This report covers the period 1 April 2017 to 31 March 2018. This report also confirms that the Committee's Terms of Reference, purpose and core functions are consistent with best practice, demonstrates the impact of its work and how it adds value.

2.2 The Committee's work adds value by:

- Supporting the Council's objectives in achieving a reputation for good governance, sound internal control and good value for money; and

- Reducing the potential cost burden and operational disruption when risks, internal control weaknesses, frauds or corruption are avoided or mitigated.

2.3 Reports have been received from the Executive Director of Finance and Commercial Services, the then Chief Legal Officer, the External Auditors or were commissioned by the Committee covering a wide range of topics, listed at **Appendix A**. The list comprises all reports received by the Committee during 2017-18, for information.

2.4 The Committee has received and considered the reports of the External Auditor. These include their plans and reporting on their audit of the annual accounts. There have been no additional (public interest) reports during the year.

2.5 The Committee has received and considered the reports of the Internal Audit Team (Norfolk Audit Services) from the Executive Director of Finance and Commercial Services. These include the plans and reporting on their audits/work and opinions during the year, progress with Corporate High Priority Findings and Anti-Fraud Activity.

2.6 A recent Self-Assessment using CIPFA's 'A Good Practice Self Evaluation Tool for the Audit Committee', written for the Education sector but relevant to Local Government, indicates the Audit Committee meets the good practice principles. This tool, containing 95 questions, offers a fresh and comprehensive benchmark. Only two areas were noted where improvements can be made to better demonstrate the effectiveness of the Audit Committee, as described in Table 1 below.

Table 1 – Potential Improvements to better demonstrate the effectiveness of the Audit Committee

Ref.	Improvement
1	Is the Audit Committee's role defined in respect of 'value for money'? Value for Money is an expectation for sound financial management and runs through the Council's Financial Regulations. A specific reference will be included in the Audit Committee's Terms of Reference when it is next updated.
2	Does the Committee consider the adequacy of implementation of internal audit recommendations? The regular reporting to the Committee comments on the progress with the Corporate High Priority Findings. No issues have been identified to date. A specific assurance on the adequacy of implementation of internal audit recommendations will be noted in future regular reports.

2.7 The Committee promotes the principles of good governance and their application to decision making. It has challenged, scrutinised, championed its functions and provided oversight in accordance with its Terms of Reference. Examples of where the Committee has added value during the period are that:

- In light of the tragic events of the fire at the Grenfell Tower in London, the Chairman proposed that the Committee commission a short report on related matters. That report was given at the 21 September 2017 meeting

- The Committee invited the Director of CES to update them on the Northern Distributor Route Project and the Third River Crossing project

- The Managing Director of Norsecare was invited to speak about the risks and pressures on delivering social care in the current operating structure

2.8 The Committee has continued to champion and encourage sound risk management in the Council, including how it is reported to members, and to provide member challenge and review for the Corporate Risk Register. The Committee has encouraged discussion of risk at the service committees and the Policy and Resources Committee.

2.9 The Committee helps the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. The Committee has received updates on work to counter fraud and corruption and supports the promotion of the Council's zero tolerance to fraud and corruption. The Committee has recommended that fraud awareness online training is mandated for staff.

2.10 The Committee is keen to ensure that business resilience, business continuity and emergency planning, including ICT, are well managed.

2.11 The Committee has considered reports on the governance of the Norfolk Pension Fund to inform its consideration where they are included in the Council's Annual Statement of Accounts.

2.12 The Committee considered the effectiveness of the governance, control and risk management for Treasury Management. The Committee recommended the Treasury Management panel be returned and that panel has been meeting.

2.13 The Committee continues to develop its role and impact through on-going member training and the development of the Committee's work programme.

2.14 Further technical details of the Committee's work appear in **Appendix B** for information.

3. Financial Implications

3.1 The Committee's work covers the Council's and Pension Fund's Revenue and Capital Expenditure and their Assets & Liabilities.

4. Issues, risks and innovation

4.1. The Committee fully meets and demonstrates best practice for an Audit Committee as promoted by CIPFA in its publication, Audit Committees\Practical Guidance for Local Authorities and Police – 2016 A 2018 edition was published in June 2018 and will be considered for future reporting.

4.2. **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.

4.3. The Committee fully supports innovative practice within the overall priorities for robust and efficient internal control, risk management and good governance. The Committee receives and considers reports where new practices are proposed.

4.4. There are no implications with respect to:

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

5. Background

5.1. The Council is required under the Accounts and Audit Regulations (England) 2015 to make provision for internal audit in accordance with "proper practices in relation to internal control". CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards 2017 (the Standards) which originally came into force on 1 April 2013 and replaced the CIPFA Code of Practice. CIPFA, in collaboration with the CIIA, also published in March 2016 the revised Local Authority Guidance Note (LAGN) for the Standards.

5.2. The Audit Committee was established in 2005; it

- reports directly to full Council and
- has seven members.

5.3. As part of good practice and in accordance with its Terms of Reference (part I3), this report summarises the work of the Committee for the period ended March 2018. This report also confirms that the Committee's function is consistent with best practice, demonstrates the impact of its work and how it adds value.

5.4. 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 of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

5.5. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.

5.6. **Background papers**

There are no specific background papers, other than documents referenced in 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

Audit Committee Reports

Reports received by the Audit Committee during the period to 1 April 2017 to 31 March 2018.

Report Title	Report By	Meeting date
Monitoring Officer Annual Report 2016-17	Chief Legal Officer	June 2017
External Auditor's Audit Plan 2016-17	Executive Director of Finance & Commercial Services	June 2017
Risk Management and Annual Report 2016-17	Executive Director of Finance & Commercial Services	June 2017
Risk Management Report	Executive Director of Finance & Commercial Services	June 2017
Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme audit Authority)	Executive Director of Finance & Commercial Services	June 2017
Norfolk Audit Services Report for the six months ending 31 March 2017	Executive Director of Finance & Commercial Services	June 2017
Norfolk Audit Services Annual Internal Audit Report 2016-17	Executive Director of Finance & Commercial Services	June 2017
Risk Management Report	Executive Director of Finance & Commercial Services	September 2017
Anti-Fraud and Corruption Strategy Update	Executive Director of Finance & Commercial Services	September 2017
Annual Update of the Audit Committee	Executive Director of Finance & Commercial Services	September 2017
Annual Governance Statement	Executive Director of Finance & Commercial Services	September 2017
Statement of Accounts	Executive Director of Finance & Commercial Services	September 2017
Letter of Representation	Executive Director of Finance & Commercial Services	September 2017
Internal Audit Plan for second half 17-18	Executive Director of Finance & Commercial Services	September 2017
Risk Management Report	Executive Director of Finance & Commercial Services	January 2018
Norfolk Audit Services Report for the	Executive Director of	January 2018

quarter ending 30 September 2017	Finance & Commercial Services	
External Auditor's Annual Audit Letter 2016-17 and Audit Committee Briefing	Executive Director of Finance & Commercial Services	January 2018
Internal Audit Strategy, Approach, Strategic Plan 2018-21 and Internal Audit Plan for the first half of the year 2018-19	Executive Director of Finance & Commercial Services	January 2018
Counter Fraud, Bribery and Corruption Audit Committee Progress Report	Executive Director of Finance & Commercial Services	January 2018
Norfolk County Council's Insurance Cover	Executive Director of Finance & Commercial Services	January 2018

Appendix B

Technical Details

Section 1 details

1.1 The Audit Committee membership is set out in the Council's Constitution:

"7 Members of the Council, on a politically balanced basis."

1.2 The Committee considered and approved the Council's Accounts and Annual Governance Statement. In accordance with regulations covering the reporting of the Statement of Accounts, the September 2017 meeting received and approved the Council's Annual Governance Statement 2016-17, the Letter of Representation, the Annual Statement of Accounts 2016-17, and the Internal Audit Plan for second half of 2017-18. The Committee advises on the adequacy of the assurance framework and that it is deployed efficiently and effectively. It also promotes effective public reporting to the Council's stakeholders, the community and measures to improve transparency and accountability. The Committee noted, at its September 2017 meeting, the contents of the Audit Results Report of the External Auditor concerning the external audit of the Council's Annual Financial Statements 2016-17.

1.3 The Committee is contributing to the development of an effective control environment. As an on-going project, the Committee has sought assurance that continued good governance, internal controls and risk management are present in services that are the subject of organisational change.

1.4 The Committee supports the quality of the internal audit activity and underpins its independence when it considers the Annual Internal Audit Report. That annual report demonstrates how the Committee, through the functions of internal audit and risk management contributes to the Council's goals and objectives by helping ensure appropriate governance, risk, control and other assurance arrangements. It also supports the development of robust controls for ensuring value for money.

1.5 The Committee understands the Council’s framework for risk assessment, management and the assignment of responsibilities and as well as championing best practice it critically challenges and reviews the corporate risk register to provide assurance that the arrangements are actively working in the Council.

1.6 The Committee benefits from some members with an audit and finance background. The Committee is also able to draw on expert advice when required. Members received a full induction in their role in particular that relating to risk management and reviewed ongoing training needs.

1.7 The Finance function (including Internal Audit, Strategic Risk and Insurance), the Monitoring Officer, External Audit and the Audit Committee work in partnership to provide a sound base for good governance. The Chairman meets with the Executive Director of Finance and Commercial Services and the Chief Internal Auditor.

1.8 The Committee fully meets best practice (from CIPFA) for good governance and the Council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance and its Terms of Reference.

Audit Committee

Item No……

Report title:	**Work Programme**
Date of meeting:	**31st July 2018**
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.

27 September 2018	
NAS Quarterly Report Quarter ended 30 June 2018	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy Update	Chief Legal Officer
Internal Audit Plan for the second half of 2018-19	Executive Director, Finance and Commercial Services

31 January 2019	
NAS Quarterly Report Quarter ended 30 September 2018 (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 2019-20	Executive Director of Finance and Commercial Services
Audit Committee Terms of Reference	Executive Director of Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer

April 2019	
NAS Quarterly Report Quarter ended 31	Executive Director of Finance and

December 2018	Commercial Services
External Auditor’s Audit Plan 2019-20	Executive Director of Finance and Commercial Services
Risk Management Report	Executive Director of Finance and Commercial Services
Audit Committee Work Programme	Executive Director of Finance and Commercial Services
Internal Audit Terms of Reference and Code of Ethics	Executive Director of Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer

Officer Contact

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

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