Norfolk County Council

Audit Committee

Date: **Thursday, 22 September 2016**

Time: **14:00**

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

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

Membership

Mr I Mackie - Chair

Mr B Bremner

Mr H Humphrey

Mr J Joyce

Mr D Ramsbotham

Mr N Shaw

Mr R Smith - Vice-Chair

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

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

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

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A g e n d a

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

2. **To confirm the minutes of the meeting held on 16 June 2016** **Page 4**

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects
- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

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

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

5. **Norfolk Audit Servies Quarterly Report for the Quarter ended 30 June 2016.** **Page 15**
Report by the Executive Director of Finance.

6. **Norfolk Pension Fund Governance Arrangements** **Page 27**
Report by the Executive Director of Finance

7. **Governance, Control and Risk Managment of Treasury Management** **Page 32**
Report by Executive Director of Finance

8. **Norfolk County Council and Norfolk Pension Fund Audit Results Reports - Audit Committee Summary for the year ended 31 March 2016** **Page 38**
Report by the Executive Director of Finace
PLEASE NOTE: Appendices to follow

9. **Annual Statement of Accounts and Annual Governance Statement 2015-16** **Page 41**
Report by the Executive Director of Finace

10. **Letters of Representation 2015-16** **Page 262**
Report by the Executive Director of Finance

11. **Revised Internal Audit Plan 2016-17** **Page 275**
Report by the Executive Director of Finance

12. **Risk Management Report** **Page 295**
Report by the Executive Director of Finance

13. **County Farms Update** **Page 327**
Report by the Executive Director of Finance

14. **Local Audit and Accountability Act 2014 -External Auditor Appointments Implementation** **Page 329**
Report by the Executive Director of Finance

15. **Work Programme** **Page 341**
Report by the Executive Director of Finance

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

Date Agenda Published: 14 September 2016

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Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 16 June 2016 at 2pm in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie
Mr B Bremner
Mr T Garrod
Mr J Joyce
Mr D Ramsbotham
Mr N Shaw
Mr R Smith

1 Election of Chairman

Mr I Mackie was elected Chairman of the Audit Committee for the ensuing year.

2 Election of Vice-chairman

Mr R Smith was elected Vice-Chairman of the Audit Committee for the ensuing year.

3 Apologies for Absence

An apology was received from Mr H Humphrey (Mr T Garrod substituted).

4 Minutes

4.1 The minutes of the meeting held on 21 April 2016 were agreed as a correct record and signed by the Chairman, subject to paragraph 5.3.7 being amended to read:

"The Committee expressed a view that it was not appropriate to stop members from having any input into the lettings process for the County Farms Estate."

5 Declaration of Interests

5.1 Mr I Mackie declared a non-pecuniary interest as a Director of Norse, in the event that any discussions took place regarding Norse.

5.2 Mr N Shaw declared an other interest in agenda item 14 (Risk Management Report) as he worked in IT.

6 Items of Urgent Business

6.1 There was no urgent business.

7 Norfolk Audit Services Quarterly Report for the quarter ended 31 March 2016.

7.1 The Committee received the report by the Executive Director of Finance setting out how Internal Audit's work had contributed to the Council's priorities.

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

7.2.1 The Committee was pleased to note that the take up of the Traded Schools Audits had increased. The Internal Audit team liaised with the Children's Services Finance team to promote the traded schools audits, although there was no obligation for academies to purchase the service. A leaflet had been produced and copies were handed out to the Committee for sharing as they considered appropriate.

7.2.2 Norfolk Audit Services made every effort to reduce its carbon footprint by ensuring that auditors with the right skills carried out audits within their local area which saved on travelling costs and expenses claims.

7.2.3 The Chief Internal Auditor agreed to circulate the response he had received from DCLG about possible implications on the France Channel Interreg Programme if Britain voted to leave the EU at the Referendum on 23 June. In the event Britain voted to leave the EU the impact should be reviewed and presented to Committee at a future meeting.

7.2.4 A minimum wage audit had been carried out for an Adult Social Services Care Provider. Norfolk County Council required compliance with the minimum wage regulations in its contract requirements with providers.

The testing had identified some breaches and one provider had been given an opportunity to carry out its own payroll analysis to review and rectify the findings.

Some further work was currently being carried out in this area.

7.2.5 The Chief Internal Auditor agreed to circulate some information and clarification on the Council's reporting responsibilities if any breaches were found when carrying out such audits on care providers.

7.2.6 The living wage requirement had been introduced in April 2016 and had superceded the minimum wage requirement.

7.3. The Committee **RESOLVED** to note:

- the overall opinion on the effectiveness of risk management and internal control was 'acceptable' and therefore considered 'sound'.

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

8 Local Government Association Presentation (Audit Procurement and the Sector Led Body).

8.1 The Committee received a presentation (attached at Appendix A) by Mr Alan Finch, Principal Advisor, Finance and Productivity with the Local Government Association.

8.2 After the presentation, the following points were noted in response to questions from the Committee:

8.2.1 If Norfolk County Council signed up to the Public Sector Audit Appointments Ltd (PSAA) scheme, an additional fee to cover the PSAA costs would be charged on top of the audit fee.

8.2.2 No decision had yet been made on how a regional model could work. This would be a joint decision with the PSAA and those Councils which had decided to contract in to the service.

8.2.3 If Norfolk County Council decided not to opt into the scheme, sufficient time would need to be allowed to procure a bespoke service, to ensure that an Auditor had been appointed by the deadline of December 2017.

8.2.4 The Councils opting into the scheme would be notified of, and would be obliged to use, their PSAA appointed auditor.

8.2.5 The PSAA, in conjunction with the Councils contracted into the service would agree the final selection process for auditors.

8.2.6 The Chairman of the PSAA was Mr Steve Freer, a former Chief Executive of CIPFA.

8.2.7 PSAA would invoice authorities for the service, itemising the costs of the auditor and the costs of the PSAA.

8.2.8 There was no requirement for Councils to be a member of the Local Government Association (LGA) to join the PSAA scheme.

8.2.9 It was expected that the PSAA would know its own costs by the end of December 2016, although the Auditor costs would not be known until later in the process.

8.2.10 The Committee would receive an update at its meeting in September, including the available options on the future of local audit.

8.3 The Committee **noted** the presentation.

9 Monitoring Officer Annual Report 2015-16

9.1 The Committee received the report by the Head of Law and Monitoring Officer summarising the internal governance work carried out by the Monitoring Officer in 2015-16 and providing assurance that the organisation’s control environment, in the areas which were the responsibility of the Monitoring Officer, were adequate and effective. The annual report supported the assurance statements included in the draft Annual Governance Statement for 2015-16 (the 'Annual Governance Statement').

9.2 During the discussion, the following points were noted;

9.2.1 A review of the Council's Code of Corporate Audit Governance was to take place.

9.2.2 The Annual Governance Statement was in the process of being finalised. The Committee was reassured that the Head of Law and Monitoring Officer, together with the Executive Directors had considered the Statement in detail and it was hoped that anything amiss would have shown up, although the Monitoring Officer could not give a categorical guarantee.

9.2.3 District Councils were the responsible authorities for elections. As Norfolk County Council did not have any direct involvement in checking election papers, the Head of Law was not in a position to scrutinise the election papers and signatures and was unable to comment on any possible repercussions following the resignation of former County Councillor M Smith or his subsequent conviction for election fraud.

The Committee was reassured that there had been no detected pattern of election fraud or any other convictions identified.

9.2.4 The Head of Law and Monitoring Officer considered that the nplaw function had sufficient ability and resources to carry out proper checks and balances. Although not every area covered by Norfolk County Council could be covered, it was anticipated that if there were any areas of concern these would quickly be picked up in the Internal Audit plans.

9.2.5 Mr D Ramsbotham asked for it to be recorded that he had raised concerns about County Farms since 2013 and that that he had no confidence in how problems with County Farms had been handled.

9.2.6 Mr J Joyce asked for it to be recorded that he had asked the Chairman to clarify a statement that that he had made, that the problems with County Farms had only emerged during the last 3 years under the old Administration as he deemed the statement to be very unfair as the problems had been ongoing for a number of years. The Chairman said he stood by his statement because that was the period the Audit review covered, within the context of the constitutional changes to a committee system, and post the 2014 report and recommendations into county farms .

Mr J Joyce left the meeting at 3.25pm.

9.2.7 The Audit Committee had requested Fraud Awareness Training to be undertaken by all staff on several occasions. The Chief Internal Auditor advised that the Managing Director had asked for further information with regard to resources and the costs of staff time in completing the training, together with details of risks, what fraud had taken place, areas at risk of fraud to ensure that any training was focused in the right areas. The Committee would receive an update at its meeting in September 2016.

9.3 The Committee **noted** the contents of the report, in particular the key messages in the Executive Summary and appendix A, section 2.1 of the report.

10 Audit Committee Chairman's Report

10.1 The Committee received the report by the Chairman summarising the work of the Audit Committee from 1 January 2016 to 30 April 2016, confirming that during 2015-16 its function has been consistent with best practice, demonstrated the impact of its work and explained how it added value.

10.2 The Committee **noted** that the Committee:

- Was independent of the executive function, reported directly to full Council and had terms of reference that were consistent with CIPFA's guidance and best practice.
- Provided effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public.
- Could demonstrate the impact and value of its work, and
- Was monitoring the Future of Local Public Audit proposal.

11 Audit Committee Terms of Reference

11.1 The Committee received and **noted** the report by the Executive Director Finance, introducing the Committee's Terms of Reference. The terms of reference for the Committee were considered as part of a regular formal review.

12 Norfolk Audit Services Annual Internal Audit Report 2015-16.

12.1 The Committee received the report by the Executive Director of Finance setting out the significant contribution Internal Audit's work had made to the Council's priorities.

12.2 During the discussion, the following points were noted:

12.2.1 The Committee requested an update on data quality and information security at its next meeting.

12.2.2 The Executive Director of Resources was responsible for the Information Management Team with each Executive Director being responsible for their own service area with regard to data security.

12.3 The Committee considered and **noted** the key messages from the Annual Report, that

- The overall opinion on the effectiveness of risk management and internal control for 2015-16 was 'Acceptable' and therefore considered 'sound'.
- The internal audit function had fulfilled its Terms of Reference, Strategy and provided assurance and added value through its delivery of the Committee's approved revised Internal Audit Plan for 2015-16, including traded schools audits and grant certifications and unplanned audits.
- Work was continuing to manage performance and the cost of audit assignments.

- The work of Norfolk Audit Services for the year and the assurance provided assisted the Committee to reasonably assess the risk that the Financial Statements were not materially mis-stated due to fraud.
- The Annual Governance Statement for 2015-16 would make reference to the report and would be reported to Audit Committee in September 2016 for approval.
- The Internal Audit Function continued to comply with the Accounts and Audit Regulations 2015 and recognised standards including the United Kingdom Public Sector Internal Audit Standard (UKPSIAS).
- During the year the responsibility for Corporate Risk Management passed to the Chief Internal Auditor.

13 Risk Management Report

13.1 The Committee received the report by the Executive Director of Finance providing the Committee with the corporate risk register at June 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during May 2016.

13.2 The following points were noted in response to questions by the Committee:

13.2.1 Some Members felt that the risks around hacking and terrorism should be the subject of a separate risk, rather than being included within Risk RM003 (Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice).

13.2.2 The Executive Director of Community and Environmental Services reassured the Committee that any failures with regard to information management had tended to be due to letters being sent to the wrong addressee and that Norfolk County Council had not had IT systems hacked.

13.2.3 The Committee requested Gordon Boyd, Assistant Director Education, be asked to attend the next meeting to talk about the costs and commercial approach to reducing risk RM014a (The amount spent on home to school transport at significant variance to predicted best estimates).

13.3 The Committee **noted** the progress with Risk Management since the last Audit Committee meeting and the changes to the Corporate Risk Register and the progress with mitigating the risks.

The Committee considered agenda item 17 (Project Risk Update – Northern Distributor Route) as its next item of business.

14 Project Risk Update - Northern Distributor Route

14.1 The Committee received the report by the Executive Director of Finance providing a project risk update for the Northern Distributor Route (NDR) Project, as requested by the Audit Committee.

14.2 The Chairman welcomed Mr T McCabe, Executive Director of Community and Environmental Services and Mr Brett Rivett, Commercial Manager, NDR Team, who attended the meeting to respond to questions from the Committee, during which the following points were noted:

14.2.1 The NDR Team and Balfour Beatty were now co-located in an office on Roundtree Way which worked well, allowing people to talk to each other to resolve any problems or issues quickly as they arose.

14.2.2 The budget and risks were reviewed weekly, with an in-depth review carried out monthly. Work was undertaken with Balfour Beatty to counteract any potential risks. The Committee noted that Balfour Beatty was incentivised to ensure the project was completed on time and within budget and would receive a bonus if the project was completed early.

14.2.3 Members stated that they would not wish for an additional funding request to be made to full Council in the future as had happened before the contract had been signed. The Executive Director reassured the Committee that the additional £30m had been due to the estimates made in 2012 not anticipating the final price and consideration would be given for future projects to build in a projected increase in budget costs.

14.2.4 The Postwick Hub Scheme was a separate scheme to the NDR scheme and had no impact on the risks associated with the NDR.

14.2.5 The Executive Director explained that there were some peak hour congestion issues where vehicles entered the roundabout after crossing the old A47 bridge and advised that the use of a free-flow left slip lane to improve access onto Yarmouth Road was being considered to alleviate this congestion. The potential works had been provisionally estimated at some £50k to install and any final decision would be made after weighing up if the final cost would be money well spent or if it would be best to leave the risks of congestion as it was.

14.2.6 The Committee thanked the Executive Director and Commercial Manager (NDR Team) for attending.

14.5 The Committee considered and **noted** the risk management arrangements for the NDR Project.

15 Verbal Update on finalising the Statement of Accounts 2015-16 and Annual Governance Statement 2015-16.

15.1 The Committee received and **noted** the verbal update from the Executive Director of Finance on finalising the Statement of Accounts 2015-16 and Annual Governance Statement 2015-16.

15.2 The following points were noted during the update:

15.2.1 The finalisation of the draft Statement of Accounts was on target with no concerns having been identified.

15.2.2 The draft Annual Governance Statement needed to be published by the end of June 2016 after being signed by the Leader and Managing Director.

15.2.3 The Annual Governance Statement included issues such as Information Management, Data Quality, Children’s Services Improvement and County Farms.

15.2.4 Mr D Riglar, from external Auditors Ernst & Young, confirmed that any issues raised during the year had been discussed and that Ernst & Young were available to audit the accounts as soon as they were ready.

16 County Farms Update

16.1 The Committee received the report by the Executive Director of Finance updating the Committee on progress since the meeting held on 21 April 2016.

16.2 During the presentation of the report, it was noted that the Economic Development Sub-Committee did not have a meeting scheduled in September 2016. The Committee suggested the Chair of Economic Development Sub-Committee should convene an additional meeting of the sub-Committee so as not to delay the matter further.

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

16.3.1 The County Farms Improvement Board was a group of Norfolk County Council Officers which met fortnightly to brief the Executive Director of Finance on any issues and to provide evidence that improvements identified in the Audit reports were progressing satisfactorily.

16.3.2 Many of the recommendations, including the tightening up of processes and procedures as recommended in the Audit Reports, needed to be completed by the end of August 2016.

16.3.3 The response letters to the complainants were currently being drafted and would be sent out by the Chief Internal Auditor once they had been cleared and finalised.

16.3.4 The Complaints team was aware of the complaints and had confirmed they were happy for the Chief Internal Auditor to provide the written response. The responses would be full and if the complainants were unhappy with the response they had received, they would need to contact the Ombudsman, as the investigative process had been exhausted from Norfolk County Council's perspective.

16.3.5 The complaints and the responses were confidential matters and would be covered by Data Protection Act and Freedom of Information (FOI) rules.

16.3.6 The Chief Internal Auditor confirmed that the previously published Lines of Enquiry report had included all the issues raised by complainants.

16.3.7 Mr Ramsbotham did not accept that he had signed off the County Farms Working Group Report to the Corporate Resources Overview & Scrutiny Committee and the Chairman agreed to circulate a link to the public reports.

16.4 The Committee **noted** the update report, and that

- A County Farms Improvement Board had been established.
- Responses were being made to the complainants.

17 Norfolk Pension Fund – External Auditor's Audit Plan 2015-16.

17.1 The Committee received the report by the Executive Director of Finance introducing the External Auditor's Audit Plan 2015-16 and welcomed Mr D Riglar from Ernst & Young to the meeting.

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

17.2.1 The Norfolk Pension Fund Audit Plan would be presented to the Pensions Committee for approval.

17.2.2 Tessa Gilbert, Executive Director in the UK Pensions Team, Ernst & Young, was responsible for signing off the report.

17.2.3 There was no change to the External Auditors fee of £27k.

17.2.4 The Norfolk Pension Fund draft Annual Accounts 2015-16 were currently being audited by the External Auditors.

17.3 The Committee **RESOLVED** to note:

- the External Auditor's Audit Plan.
- The scope and fees of the external auditors for audit, inspection and other work.
- That the plan would be reviewed by the Pensions Committee for its approval.

18 Audit Committee Work Programme

18.1 The Committee received and **noted** the report by the Executive Director of Finance setting out the programme of work for the Committee and agreed the following items to be included on the agenda for the September meeting:

- Update on data quality and information security.
- Update on County Farms.
- Update from the Assistant Director Education on Risk RM014a (Amount spent on home to school transport at significant variance to predicted best estimates).
- Update on Risk RM014B (Savings to be made on Adult Social Services transport are not achieved).

The meeting ended at 4.55pm.

CHAIRMAN

Appendix A

Local Government Association

Local audit procurement

Alan Finch
Principal Advisor, Finance & Productivity
Local Government Association

June 2016

www.local.gov.uk

Local audit – the story so far

- 31st March 2015 – final abolition of the Audit Commission
- Local Government Audit & Accountability Act 2014 – introduced local appointment of auditors
- Local Audit (Appointing Person) Regulations 2015 - enables an appointing body to procure on behalf of a number of principal authorities
- February 2016 – LGA announced that it would like to see Public Sector Audit Appointments Ltd (PSAA) become an appointing body
- May 2016 – DCLG issued market enquiry for Sector Led Body (SLB) . PSAA applied.

Options for Councils

- Procure your own external audit overseen by a specially set up independent Auditor Panel
- Joining with other councils to set up a joint independent Auditor Panel
- Opting-in to a sector led body (an 'appointing person') who will negotiate contracts and make the appointment on behalf of councils, removing the need to set up an independent Auditor Panel

Timings

- Existing contracts extended to end of 2017/18 accounting year
- Bodies need to have an auditor appointed for 2018/19 by December 2017 (statutory)
- Indicative timing for a decision by an authority to opt in; September 2016- January 2017.

What the appointing body will do

- Make appointment of auditors to each opted in authority
- Consult an opted-in body about a proposed appointment
- Oversee the independence of auditors appointed
- Specify fees
- Notify the opted-in body of variations to fees, giving reasons

- What else would be useful?

Why go with the appointing body?

- Hassle-free procurement
- Step back from appointment means easier to show auditor independence
- No requirement to have an auditor panel
- Opportunity for 'proper' contract management
- Why wouldn't you? Appointing locally does not provide significant benefits
  - Same process, same bidders, same prices?
  - Possible that 'bulk purchase' will bring benefits

Next steps

- Councils can express interest in opting in now (by notifying LGA) – 210 already signed up
- DCLG to appoint ‘appointing person’.
- Appointing person invites all authorities to opt in
- Authority makes decision (Council decision) – late this year/ early next year
- Procurement during 2017
- New auditors in place April 2018

http://www.local.gov.uk/external-audit

Thank you!

Alan Finch
Principal Adviser, Finance & Productivity
alan.finch@local.gov.uk
0207 664 3085

Fiona Daley
Head of Implementation (Sector Led Body)
fiona.daley@local.gov.uk

Audit Committee

Item No 5

Report title:	**Norfolk Audit Services Quarterly Report for the Quarter ended 30 June 2016**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

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

Internal Audit's work has contributed to the Council's priorities, being:

Excellence in Education

- We have used our experience and skills to drive up the standards of financial and risk management in a total of 13 Norfolk schools this quarter; through a mix of:
    - 3 full traded schools audits; and
    - 7 traded school health checks audits

Real Jobs

- No specific audits on this topic in the last quarter

Good Infrastructure

- Carbon Reduction Scheme

Supporting Vulnerable People

- No specific audits on this topic in the last quarter

Effective support services

- Delivering the audit plan for 2016-17 sufficiently in the quarter to support the annual opinion.

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 preparations for an Audit Authority for the France Channel England Interreg Programme

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

1.2 The County Leadership Team have been consulted in the preparation of this report.

2. Evidence

2.1 This section covers:

- Work to support the opinion (2.2)
- Other relevant information (2.15)

2.2 **Work to Support the opinion**

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

- Final reports issued in the quarter (representing a proportion of the planned audit coverage for the year) **Appendix A**
- The results of any follow up audits,
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

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

- Managing vacancies (Investigative Auditor)
- Training new auditors
- Responses to 15 County Farms Complaints
- Un-planned investigatory work in the quarter
    - One disciplinary hearing completed
    - One investigation and disciplinary hearing completed
- Preliminary assessments of allegations work <u>in the quarter</u>:
    - One allegation relating to an NCC employee – no further action
- Preliminary assessments of allegations work <u>since the last quarter</u>
    - One error investigated
    - One allegation relating to an NCC provider
    - One allegation relating to an NCC employee

- Resulting from the above work the following assignments are in progress:

    - Whistleblowing Policy
    - Fraud Analysis report to the Managing Director.

2.5 A list of final reports for the last quarter is attached as **Appendix A**. The progress with delivering the audit plan is shown in table 1 below.

Table 1: Final Audit Reports

Report type	**Quarter 1**
Final audit reports (Communities and Environment)	3
Final audit reports (Finance)	4
Final audit reports (Resources)	3
Total Audits	**10**
Traded school full audit	3
Traded School Health Checks	7
Certified Grant Claims	2
Follow-up report	1

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

Table 2 -
Corporate High Priority Findings Summary as at September 2016

Department	Green rated Corporate High Priority Findings	Blue rated Corporate High Priority Findings (action taken and waiting removal)	Total Corporate High Priority Findings
Adult Care	0	0	0
Children's Services	0	0	0
Communities and Environment	0	0	0
Finance	0	3	3
Resources	2	1	3
Total NCC	**2**	**3**	**6**
Schools	0	0	0
Total Corporate High Priority Findings	**2**	**3**	**6**

2.7 There has been an increase in the take up of the Traded Schools Audits. As at the date of writing this report 19 schools have requested a traded audit from the start of the 2016/17 financial year.

2.8 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. Our September 2016 reporting of the revised audit plan for 2016-17 audit topics includes full details of planned coverage, including new topics and those topics removed from the original plan.

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

2.10 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for the eight responses received in the quarter ended 30 June 2016, as shown at **Appendix B, 5.2.5**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.

2.11 The cumulative proportion of time supporting the audit opinion for quarter 1 was 69% in line with the target of 62% over the whole year. See **Appendix B, Section 2 (2.1)** for further detail.

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

2.13 **Other relevant information**

2.14 National Minimum Wage Audit Work

a. It was reported to the June Audit Committee that NAS, working closely with the adult social care quality assurance team, carried out a national minimum wage compliance audit of a home care provider earlier in the year. The audit revealed breaches of the regulations in a sample of employees meaning that some care workers were paid less than the applicable national minimum wage rate. An action plan was agreed with the provider and effective remedial steps were taken to avoid any further breaches and to make up the shortfalls in pay.

b. It was decided to carry out similar compliance checks involving a further eight home care providers who had won block contracts with the Council at the same time as the provider involved in the original audit. This exercise indicated that breaches of the regulations appeared to have occurred in the sample looked at involving 7 out of the 8 providers. The Head of Quality Assurance and Market Development met with the 7 providers who appeared to have breached the regulations and agreed action plans to ensure that steps were taken to ensure that no further breaches would occur and that any workers who were underpaid were fully recompensed. At the time of writing these action plans are still in the process of being implemented and written assurances will be required before the plans are formally signed off.

c. It has also been decided to extend the audit to the home care market as a whole and a self-audit tool has been developed for the purpose. Further work will take place in September to support the market to use the tool to assess the extent if any of problems in the rest of the market. In addition we plan to re audit the original 9 block contract providers to check compliance with the national living wage and test the effectiveness of the remedial steps that were taken following the first round of audits

d. When the process is completed a detailed report will be provided to the Adult Social Care Committee and the Audit committee will receive a brief synopsis.

e. As requested, the Chief Internal Auditor circulated some information and clarification on the Council's reporting responsibilities if any breaches were found when carrying out such audits on care providers.

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

2.16 Internal Audit meet periodically with Corporate Programme Office contacts to consider developments, risks and the audit approach.

2.17 France (Channel) England (FCE) update

2.18 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily. The first quarter of 2016-17 saw the first meeting of the Consultative Audit Group, through which the UK and French Member States can be consulted on strategic audit decisions for the programme. The programme specific audit strategy for the 2016-2019 period was approved at the meeting.

2.19 The impact of the referendum results are being considered jointly and collaboratively by all three authorities (Managing, Certifying and Audit Authorities) and project level risk registers have been updated. The Managing Authority has taken the lead to engage with HM Government in order to set out the programme risks to DCLG and BEIS and manage the immediate impact of the results on the FCE programme. The MA will be speaking with these departments on a monthly basis. Further information is expected in the Government's Autumn Statement.

2.20 External Matters of Note

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

- English Devolution Deals (20 April 2016)
- Financial sustainability of local authorities: capital expenditure and resourcing (15 June 2016)
- NAO's role in Local Audit Leaflet (20 June 2016)

2.22 There are no other external matters to note this quarter.

3. Financial Implications

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

3.2. Norfolk Audit Services has delivered approved savings in 2015-16 by adhering to the planned budget and preparing for ongoing savings as required.

3.3. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2016-17 has been set to deliver 100% of audit work is within budget. At present 80% of audit work is keeping to the original budget (+ 10%). Generally when audit work is over budget it is because the completion of the work, including obtaining agreement to findings and obtaining action plans, has taken longer than originally planned. This is currently being actively managed to ensure all future audit work is kept within budget.

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

4. Issues, risks and innovation

4.1. There are no implications with respect to:

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

5. Background

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

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

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter Ended 30 June 2016

There were 13 final reports (including one management letter), 3 full traded school audits completed, 2 grants certified and 7 traded school health checks during the quarter.

Final Reports

Communities and Environment

1. Highways Agency Agreement
2. Economic Development - CSA for HIL (Hethel Innovation Limited)
3. Trading standards

Finance

4. Deferred Payments
5. Accounts Receivable and Accounts Payable - Residential Care
6. Software Licencing, including virtual licences
7. Payroll - follow up of tax issue (management letter)

Resources

8. Pre Employment Checks
9. HR overpayments
10. Building Works Procurement (non-NPS)

Pensions

11. Compliance with regulations in setting up Pensions Advisory Board
12. Management of Employers
13. New Custodian

Traded Audits

Schools (Traded – full audit)

1. Magdalen Gates Primary School
2. Browick Road Primary School
3. Sprowston Infant School

School Traded Healthchecks

1. Sidestrand Hall School
2. Great Hockham Primary School and Nursery
3. Forencett St. Peter CE VA Primary School
4. Nelson Infant School
5. Ashill VC Primary School

6. Fakenham Junior School
7. Kinsale Junior School

Certified Grants

1. Police & Crime panel (p/e March 2016)
2. EIFCA grant

Technical Details

Notes for section 2

2.1 Productive Time

2.1.1 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on work supporting the audit opinion has been set at 61.1% for the 2016-17 year. This takes into account time required for general management, training, team development and induction of new or temporary staff.

2.2 Investigations Procedure

2.2.1 From time to time Norfolk Audit Services is notified of allegations. 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. We participate in an Audit Benchmarking Club which compares us to similar County Council Internal Audit teams. No significant exceptions have been noted.

Notes for Section 5

5.1 Audit Opinions

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

5.2 The difference we are making

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

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

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

5.2.5 Feedback received was as follows:

Type of work	**Questionnaires issued**	**Questionnaires received**
Standard audit	10	8
Grants	0	0
Analysis of results:		
	Expectations Met*	**Disappointed or Very Disappointed**
	8	0

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

Audit Committee

Item No 6

Report title:	**Norfolk Pension Fund Governance Arrangements**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance and 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.

1.2 The Chief Investment Manager has been consulted in the preparation of this report.

2. Evidence

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

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

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

2.4 In their role as Trustee's of the Norfolk Pension Fund, Pensions Committee oversees the management (e.g. administration, strategy and investment) of the Norfolk Pension Fund. Terms of reference for the Committee, as detailed in Appendix 2 of the Council's Constitution, are as follow:

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

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

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

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

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

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

2.7 The latest version of the Pension Funds Governance Statement (please click on underlined text to link to the report) at September 2016 is referenced in the Annual Report and Statement of Accounts (at page 235). The Statement details key roles and responsibilities in relation to the Fund. The full Statement is available on the pension fund website, www.norfolkpensionfund.org

2.8 The Fund's 'Governance Compliance Statement' (which measures compliance against best practise guidelines) is also incorporated in the Annual Report and Statement of Accounts (at page 330). Norfolk Pension Fund is fully compliant with the principles as set out in the statutory guidance.

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

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

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

  Upon completion of the audit of financial statements, The External Auditor will produce an annual governance report, which includes any matters of governance interest which have come to his attention in performing the audit. The Executive Director of Finance, being the person with specific responsibility for the financial statements, will draft a letter of representation to the External Auditor highlighting any matters material to the financial statements and possible non-compliance with laws and regulations. External Audit requires that the Chair of Pensions Committee countersigns the letter on behalf of "those charged with governance".

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

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

In Norfolk the local pension board is referred to as the Norfolk Pension Fund Pensions Oversight Board. The role of the board is to assist the Norfolk Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed.

The Terms of Reference for the Norfolk Pension Fund Pension Oversight Board can be found at, Pension Oversight Board TofR.

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

The Pensions Committee receive quarterly reports from the Pensions Oversight Board, the most recent being an Update from the Pension Oversight Board (please click on underlined text to link to the report) starting at page 216. An Annual Report from the Pensions Oversight Board is also incorporated into the Annual Report and Statement of Accounts (at page 241).

Norfolk Audit Services undertook an audit to evaluate the adequacy and effectiveness of the controls in operation in compliance with regulations in setting up a Pensions Oversight Board in spring 2016. The final report was issued on 28th June with an 'acceptable' audit opinion.

3. Financial Implications

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

4. Issues, risks and innovation

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

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

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

4.4 **Other resource implications**

There were no other resource implications arising from this report.

4.5 **Legal implications**

There were no legal implications arising from this report

4.6 **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.

4.7 **Equality implications**

There were no equality implications arising from this report

4.8 **Human rights implications**

There were no human rights implications arising from this report.

4.9 **Environmental implications**

There were no environmental implications arising from this report.

4.10 **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 262 active contributing employers.

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

Officer Contact

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

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

Officer Name: Nicola Mark - Head of Pensions

Tel No: 01603 222171

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

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Audit Committee

Item No 7

Report title:	**Governance, Control and Risk Management of Treasury Management**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

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

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

Executive summary

Recommendation:

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.

1. Proposal (or options)

1.1 Recommendation:

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.

1.2 The Investment Manager has been consulted in the preparation of this report.

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 2015-16, 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 16 February 2015)
- a mid-year treasury update report (County Council 14 December 2015)
- annual report following the year-end describing activity (County Council 25 July 2016).

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

2.4 The County Council has integrated the governance requirements of the CIPFA Treasury Management Code and the Government's Investment Guidelines into a single report. 'The Annual Investment and Treasury Strategy 2015-16' was presented to Policy and Resources and then Council in February 2015 at the same time as the County Council's annual budget proposals. Prior to consideration by Policy and Resources, the Strategy was examined in detail by the Treasury Management Panel.

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

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

2.7 After financial year-end, an annual report was produced. The 'Annual Treasury Management Report 2015-16' was presented to the Policy and Resources Committee and the County Council in July 2016.

2.8 The Annual Report reviewed treasury activities undertaken in the previous 12 months (April 2015 to March 2016) 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 2015-16, Policy and Resources Committee and the Treasury Management Panel received regular treasury management performance monitoring reports. These reports provided performance information in relation to key treasury management indicators such as cash not invested at the end of each working day, investment return and interest earned to date.

2.10 During the 2015-16, the Treasury Management Panel provided robust scrutiny of treasury activity. Reports to Policy and Resources Committee were amended where appropriate to incorporate comments or views expressed by the Panel, with other action being pursued by officers and reported back to Panel members. There are no outstanding actions/recommendations from meetings of the Panel during 2015-16.

2.11 Following the collapse of the Icelandic Banks in 2008, the then Audit Commission undertook a national audit of local authority treasury management operations. Over 450 local authorities (including Norfolk) participated in the audit which resulted in the publication of the report 'Risk and Return'. External auditors were asked to incorporate the reports findings and recommendation in their audit programmes.

2.12 The County Council's external auditor (Ernst & Young) views Norfolk's Treasury Management activities as 'key processes' and will therefore perform 'walk through' tests and sample transaction testing of key controls in order to inform their annual audit of the Statement of Accounts. In addition, they will also seek independent verification of investment and debt balances.

2.13 In order to assist and support Ernst & Young's audit of the annual Statement of Accounts, Norfolk Audit Services (NAS) undertake detailed testing of key controls on a sample of transactions when undertaking annual audits.

2.14 Transaction auditing of key controls is supplemented by a triennial full internal audit review. A full audit was undertaken during July/August 2016 which included transaction samples from both 2015-16 and 2016-17. The final report was issued on 23rd August with an acceptable audit opinion.

2.15 Audits will also be undertaken if significant changes to systems or processes are identified.

3. Financial Implications

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

4. Issues, risks and innovation

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

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

4.3. **Other resource implications**

There were no other resource implications arising from this report.

4.4. **Legal implications**

There were no legal implications arising from this report.

4.5. **Risk implications**

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

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

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

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

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

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

5.4. Statutory and regulatory guidance is provided by the Local Government Act 2003 and the Government's Investment Guidelines 2010 (Revised). Codes of best practice include the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and the Prudential Code. The Council adheres to all these in the way it manages its treasury services.

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

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

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

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

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

- Monitor recovery of the Councils Icelandic investments.

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

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

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

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

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

5.9. The Council's Financial Regulation and Procedures have specific sections dedicated to Treasury Management (sections 4.7 and 7 respectively). They set out the key controls and specific responsibilities of the Statutory Finance Officer (Executive Director of Finance) and the other Chief Officers with regard to Treasury Management. The regulations and procedures are reviewed and updated annually.

Officer Contact

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

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

Officer Name: Glenn Cossey - Chief Investment Manager

Tel No: 01603 228978

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

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Audit Committee

Item No 8

Report title:	**Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2016**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

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 2016.

Executive summary

Recommendation:

It is recommended that the Audit Committee should consider the Ernst and Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2016, at Appendix A.

Members are invited to:

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

1. Introduction

Each year, the Council's External Auditors (Ernst and Young) produce Audit Results Reports summarising their work and findings.

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 2016.

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 2016. This report will have already been reported to the Pensions Committee.

3. Financial Implications

3.1 This report is based on work covering of all of the Council's finances during 2015-16 as described in the Annual Statement of Accounts.

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

4. Issues, risks and innovation

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

5. Background

5.1 The Council's auditors require the Council to sign a letter of representation to enable them to conclude their audit work.

5.2 Background papers:

- External Audit Plan: (Audit Committee Agenda 21 April 2016, Item 7, page 54)

Officer Contact

Name	Telephone Number	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 2015-16

A2 Norfolk Pension Fund Audit Results Report 2015-16

Audit Committee

Item No 9

Report title:	**Annual Statement of Accounts and Annual Governance Statement 2015-16**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact
This report introduces the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2015-16.

Executive summary

This report introduces the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2015-16 which has been subject to external audit by Ernst & Young. The Executive Director of Finance anticipates that the Council will receive an unqualified audit opinion.

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

The report summarises changes to the Accounts as a result of the implementation of revised financial reporting requirements, and summarises 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 31 May 2016 was a net underspend of £0.052m which was transferred to General Balances.

The Council has net assets of £261.553m at 31 March 2016 which is an increase compared with 2015 (£53.911m). This is due primarily to reduced pension liabilities included in “Other Long Term Liabilities”. A narrative summary of the accounts is at Appendix 1.

This report also introduces the proposed Annual Governance Statement 2015-16, and provides assurance that the organisation's governance framework, including the system of internal control and internal audit, is adequate and effective for the purpose of the relevant regulations.

Recommendations
The Audit Committee is requested to:

- note that, following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations;
- consider and approve the Annual Governance Statement (Appendix 2) and commend the final statement for signature by the Leader and the Managing Director;
- consider and approve the Council’s 2015-16 Statement of Accounts (Appendix 3);

- note the Summary of the Statement of Accounts (Appendix 4) to be published alongside the full accounts.

1. Introduction

This report summarises the Statement of Accounts of Norfolk County Council for 2015-16.

2. Evidence

The following appendices are attached:

- Appendix 1: a narrative summary of the accounts
- Appendix 2: the Annual Governance Statement for 2015-16
- Appendix 3: 2015-16 Statement of Accounts
- Appendix 4: a Summary of the Statement of Accounts for publication

3. Financial Implications

The final position for all departments as reported to Policy and Resources Committee on 31 May 2016 was a net underspend of £0.052m. This has not changed as a result of the preparation of the Statement of Accounts. This underspend has been transferred to general balances and this transfer is reflected in these accounts.

4. Issues, risks and innovation

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

5. Background

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

Officer Contact

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

Name	Telephone Number	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

Appendix 1

Narrative Summary of Annual Statement of Accounts and Annual Governance Statement 2015-16

1. Introduction

1.1 As part of the formal process of closing the County Council's 2015-16 accounts, Members are required to consider and approve the Annual Governance Statement attached as Appendix 2, and to approve the Statement of Accounts ("the accounts"), attached as Appendix 3, by 30 September. This process of approval is included within the Committee's terms of reference.

1.2 It is also considered good practice to publish a short Summary of the Statement of Accounts (Appendix 4) alongside the full accounts.

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

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

2. Background

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

2.2 The Executive Director of Finance 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 2016 and also the income and expenditure for the financial year.

2.3 The Council continues to prepare the 2015-16 Statement of Accounts under International Financial Reporting Standards. There is one additional accounting policy added since 2015-16. The new policy "Fair Value Measurement is at note 1.10 and is a result of a requirement to implement IFRS 13 — Fair Value Measurement in

2015-16. This policy explains how assets which are measured at “fair value” in the accounts are valued.

2.4 There are inherent uncertainties associated with the measurement of fair values where quoted prices on an active market do not exist, and this is now explained in note 4.

2.5 The Executive Director of Finance reported the final revenue and capital expenditure positions for 2015-16 and the provisions and reserves held at 31 March 2016 to Policy and Resources Committee on 31 May 2016. The net revenue expenditure reported in May is reconciled to the Comprehensive Income and Expenditure statement in note 23 to the accounts.

2.6 The net underspend of £0.052m reported to Policy and Resources Committee on 31 May 2016 has been transferred to General Balances. Details of movements on this balance are shown in paragraph 5.8.

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

2.8 In accordance with good practice, the draft 2015-16 Statement of Accounts has been publicly available on the Council’s web site since 30 June.

2.9 Ernst & Young have performed a detailed examination of the accounts through July and August, 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.

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

2.11 The Accounts and Audit Regulations require that the 2015-16 Statement of Accounts must be published by 30 September.

3. Annual Governance Statement

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

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

3.3 The Executive Director of Finance reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Executive Director of Finance reported to the Audit Committee on 16 June 2016 that in his opinion the effectiveness of risk management and internal control for 2015-16 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 2015-16 financial year, and up to the date the accounts are published, overall Corporate Governance arrangements and internal controls in the Council were in place and effective in terms of business as well as financial risk. It also confirms that areas where controls need to be developed or improved are known about and are being actioned.

3.7 An Annual Governance Statement is attached as Appendix 2. Two updates have been made to the draft published in July, at pages 32 and 37. These changes are clearly highlighted in the Appendix.

4. Changes to the Presentation of the Accounts

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

4.2 The one significant changes to the format or content of the accounts relate to the new requirements under IFRS 13 — Fair Value Measurement. The Investment properties note (note 14) now contains additional tables and information relating to valuations and valuation techniques. Prior to the revision of this note, a review of assets classed as investment properties was undertaken by the Council's valuers, resulting in just the Airport Industrial Estate and certain agricultural land with development potential remaining under that classification. Other properties previously classified as investment properties are now classed within operational assets.

4.3 The Joint Arrangements note (note 26) has been expanded to include details of the Better Care Fund arrangements with Clinical Commissioning Groups in Norfolk.

4.4 The Amounts reported for Resource Allocation Decisions note has been updated to reflect changes to the Council's management structure (note 23).

4.5 A small number of notes to the accounts have been enhanced, including a note concerning the impact of the EU referendum (note 6).

4.6 From 2015-16, the Council's joint committees (Norfolk Museums, and Records) are no longer required to produce separate statements of accounts. As a result of this, the joint committees note is no longer required in the Council's statement of accounts.

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 2015-16. Apart from the changes relating to IFRS13 noted above, there have been no significant changes to generally recognised accounting practices affecting the Council since 2014-15.

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 there is a summary of the Fire fighters' pension scheme, the Norfolk Pension Fund Accounts, and Norfolk County Council's Group Accounts which incorporate the financial results, where material, of companies controlled by the Council including the Norse Group and Independence Matters CIC.

<u>Explanatory Foreword</u>

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 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 The 31 March 2016 the General Fund Balance stood at £19.252m:

	£m
Actual General Balances at 31 March 2015	**19.000**
Use of funds for one-off purposes: Increase in General Balances (as approved in 2015-18 budget)	0.200
Net underspend 2015-16	0.052
General Balances at 31 March 2016	**19.252**

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 2016 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 12) is broadly unchanged since 2015-16. Reductions due to schools converting to academy status, and a reduction in assets classed as being under construction (including County Hall) have been off-set by the cost of infrastructure assets added to the valuation. There have been no additions or disposals of material Heritage Assets (note 13) during the year.

5.12 The value of investment properties (note 14), which are those held to generate an income such as the Council's share of the Airport Industrial Estate, has decreased by £9.5m as a number of properties such as the Scottow Enterprise Park have been re-assessed as operational properties for accounting purposes.

5.13 Long term investments, which include residual amounts due from Icelandic banks, and long term debtors, are broadly unchanged since 2014-15. Short term investments have decreased by £11m due mainly to an increase in short term loans and receivables held under the Council's Treasury Management strategy. This movement is offset by a decrease of £13m in Cash and Cash Equivalents (note 17) which represents a reduction in the amount of surplus cash invested in short term money markets.

5.14 The levels of both long term and short term debtors combined (note 16) remain broadly in line with 2014-15. Amounts due from central government have decreased under short term debtors, but long term debtors have increased by £9m consistent with a new capital loan of £10m made to the Norse Group during the year. As with other transactions between group members, this loan is not included in the group accounts.

5.15 Amounts classed as Asset Held for Sale (note 18) were slightly lower than 2015-16. During the year an additional £1.3m of the Council's property met the detailed accounting conditions to be classed as an Asset Held for Sale. £1.5m of these properties were sold leaving a balance of £1.1m awaiting sale at 31 March 2016.

5.16 Total long-term liabilities shown on the face of the balance sheet decreased from £1,686m to £1,463m due mainly to a decrease in the Council's Pension Liabilities (Local Government Pension Scheme and Fire-Fighters Pension Scheme) with the reported deficit reducing from £1,087m to £871m (note 39, total obligations less scheme assets), effectively reversing the previous year's movement.

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 rises, the value attributable to liabilities will decrease. Therefore the balance sheet position for the typical employer is likely to have improved over 2015-16 as a result of an increase in the net discount rate over this period.

Period ended	31 March 2016 % p.a.	31 March 2015 % p.a.
Pension increase rate	2.2%	2.4%
Salary increase rate	3.2%	3.3%
Discount rate	3.5%	3.2%

The impact of this on the CIES is a £190m re-measurement of the net defined benefit liability. The reduction in scheme net liabilities is shown in note 38 (Defined Benefit Pension Schemes). The impact on the Council's "other long term liabilities" and reserves can be seen in the Balance sheet and MIRS respectively.

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

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

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

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

5.20 The "movement in reserves statement – adjustments between accounting basis and funding basis under legislation" (note 7) reconciles the total comprehensive income and expenditure recognised in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

5.21 When the adjustments in note 7 have been applied to the Movement in Reserves Statement, the General Fund Balance of £19.252m is equal to the General Balances figure reported to 31 May 2016 Policy and Resources Committee.

Fire Fighters' Pension Fund

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

Group Accounts

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

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

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

Pension Fund Accounts

The detailed Pension Fund Accounts which are incorporated into this Statement of Accounts were considered by the Pensions Committee on 6 September 2016. The Pension Committee agreed to recommend to the Audit Committee that the 2015-16 Annual Report and Accounts of the Norfolk Pension Fund accounts be approved, and also endorsed the associated letter of representation.

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

Material adjustments since the June draft accounts

6.1 There have been two material adjustment to the accounts since the draft Statement of Accounts dated 29 June. One adjustment has affected presentation within note 12: Property, Plant and Equipment, and the second has had the effect of re-allocating expenditure between categories within the CIES. Neither the Balance Sheet nor the MIRS have been affected by these adjustments.

6.2 The first adjustment affected only note 12: Property, Plant and Equipment. In the draft statement of accounts, all additions were routed through the “assets under construction” line. After discussion with Ernst & Young, it was agreed that for projects started and completed within the financial year additions would be allocated directly to the relevant class of asset rather than indirectly through the re-classification and transfers line.

The totals for each asset class and for total PPE remain unchanged.

6.3 The second adjustment relates to sponsored academies. The Council was responsible for the construction of the new buildings used by these academies. These buildings have been transferred to the Academies on long leases, and consequently the costs written out of the accounts. In the draft statement of accounts, the transaction was treated as revenue expenditure funded from capital under statute (“REFCUS”), which is the usual treatment for capital work on third party assets. After discussion with Ernst & Young, it was agreed that because the lease agreements with the Academies were short rather than long term at the time of the build, the transfer would be treated as a loss on disposal. This has had the effect of re-allocating the £52.468m “loss” in the CIES from a cost directly attributed to Children’s Services, to other operating expenditure.

The overall (Surplus)/Deficit on Provision of Services in the CIES remains unchanged. Related transfers between lines have occurred in note 33: Capital Expenditure and Capital Financing, the Capital adjustment account, and the Cash Flow statement, but in all cases the totals remain unchanged.

Neither the Balance Sheet nor the MIRS have been affected by this adjustment.

Non material adjustments and error corrections

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

6.5 With the agreement of the auditors, adjustments and corrections have been made where appropriate, and a number of disclosures added or enhanced. In addition there have been a number of amendments to improve the clarity and quality of information in the accounts. These amendments include a note concerning the impact of the EU referendum (note 6) and expanded Better Care Fund disclosures (note 26).

6.6 During the year it was necessary to reclassify capital grant income totalling £0.257m which was included in the Capital Grant Unapplied Account in the 2014-15 accounts. The draft accounts dated 29 June 2016 treated this adjustment as a re-classification of the opening balance. Since then, due to the non-material nature of the adjustment it has been accounted for in 2015-16. This has resulted in a small change to opening balances and total reported comprehensive income and expenditure since the June accounts. This adjustment had no impact on the revenue outturn position.

Unadjusted non-material item

6.7 There is one non-material item which has been identified by the external auditors, but which has not been adjusted. This item is the result of the way that the values of certain assets have been split into separate components for the purpose of calculating depreciation, and does not affect earmarked reserves or general balances.

The method applied has been consistent since "componentisation" was introduced in 2013-14, but has resulted in a cumulative under-statement of depreciation at 31 March 2016 of £1.210m.

While it would be possible to adjust the statement of accounts, the change affects a large number of underlying records. The resource required to update and reconcile these records for previous years would be considerable in relation to the non-material nature of the difference and the proportion of asset value represented.

A revised method of calculating depreciation on componentised assets has been agreed with the auditors, and will be implemented for 2016-17 and beyond.

Overall impact of adjustments since the June draft

6.8 There has been no impact on the net assets of the Council reported in the draft dated 29 June 2016, nor to the Council's earmarked reserves or general balances.

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

7. Developments in local authority accounting

7.1 **Highways Network Asset (previously referred to as transport infrastructure assets)**

The latest HNA Code and associated guidance was issued at the end of August 2016, and will be used as a basis for including the Highways Network Asset in the Statement of Accounts. A previous Code was published in 2010 and revised in 2013.

The Code covers carriageways, footways and cycleways, highways structures, street lighting, traffic management systems and street furniture. The main accounting impact of the code is that these assets will be valued at depreciated replacement cost rather than the historic cost basis used under current guidance. Due to the long average asset lives in this area, there is likely to be a significant increase in accounting asset values.

Data and calculations performed in the Highways service will form the foundation of the figures that will appear in the accounts. Work has started with both internal and external auditors to evaluate the processes in place. Colleagues in the Highways service have been documenting systems and processes. When the recent technical guidance issued by CIPFA has been assessed by officers, the authority will be in a good position to extract the information required and create the systems required to generate the appropriate accounting entries.

The change comes into place for the 2016-17 accounts. At this time last year, it was envisaged that retrospective valuations as at 1 April 2015 would be required. However, this requirement has since been removed. The 2015-16 accounts contain a short note explaining the change, and an anticipated valuation of £13bn. This value is considerably higher than the cost-based £0.7bn currently carried in the accounts.

A previously reported estimate of £23bn for the anticipated valuation was based on provided rates for land values, which have since been significantly reduced by the central Highways Asset Management Financial Information Group (HAMFIG). Norfolk has not been unique in experiencing these variations, and believes that the higher figure was a one-off error.

7.2 **Faster closing**

The Accounts and Audit Regulations 2015 will significantly affect the speed at which local authority financial statements are produced, published and audited. From the 2017-18 financial year, draft accounts will have to be published by 31 May (currently 30 June) with the audit and final accounts deadline of 31 July (currently 30 September). This will clearly bring challenges, given the group accounting and pension fund accounts that are required at this council. In order to balance speed, accuracy and cost, the change is likely to affect accounting and external audit systems throughout the year as well as during the traditional financial close down period. Year-end close-down processes were brought forward in 2015-16 with a view to further streamlining and elements of a dry-run in 2016-17.

In order to achieve what will be an extremely tight timetable, the timing of Audit Committee meetings during 2018 and later years will be affected.

Appendix 2

Annual Governance Statement for Norfolk County Council 2015-16

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 16 June 2016 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2015-16, was acceptable and therefore considered sound. The Committee agreed with this opinion. This statement will be submitted to the Audit Committee for approval with the Statement of Accounts at the 22 September 2016 meeting of the Committee.

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

2. Scope of responsibility

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

2.2. The Council has approved and adopted a Code of Corporate Governance consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’. The Code is currently under review. If you require any further information regarding this statement please contact Mr. Simon George, Executive Director of

Finance, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW. The updated Code is planned to be approved in the Autumn of 2016.

2.3. Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16, the Annual Governance Statement must include reference to controls where significant activities take place through a group entity. This includes Companies that the Council owns or part owns.

2.4. This statement explains how the Council has complied with the Code of Corporate Governance and meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2015, in relation to the publication of an Annual Governance Statement.

2.5. The Council administers the Norfolk Pension Fund and the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements. For further details, please consult the Pension Fund Governance Statement.

2.6. The Council hosts or is represented in several Joint Committees, which are:

- Norfolk Records Committee,
- Norfolk Joint Museum Committee,
- Eastern Shires Purchasing Organisation (ESPO),
- Norwich Highways Agency Committee,
- Eastern Inshore Fisheries and Conservation Authority
- Norfolk Parking Partnership Joint Committee and
- Great Yarmouth and Waveney Joint Health Scrutiny Committee.
- Road Casualty Reduction Partnership Board
- Two Regional Flood & Coastal Committees (Eastern and Central)
- Planning and Traffic Regulation Outside London Adjudication Joint Committee

Eastern Shires Purchasing Organisation (ESPO) and Eastern Inshore Fisheries and Conservation Authority have published their own Annual Governance Statements, available on their websites.

2.7. The Council has the six subsidiary companies below:

- The largest subsidiary company which is wholly owned by the Council is the Norse Group Limited. It is the parent company of NPS Property Consultants Limited, Norse Transport, Norse Eastern Limited, Norse Commercial Services Ltd and Norse Care Ltd, plus their subsidiaries. These companies are referred to throughout this statement as NORSE. The governance arrangements for NORSE are included in the body of this report. Where there are unique arrangements these appear at the end of each section and where the arrangements are specific to NORSE, they appear in a separate section. For more information regarding NORSE and its services, please refer to its website at http://www.ncsgrp.co.uk/.

- Hethel Innovation Ltd, is wholly owned by the Council, see link for further information at http://hethelinnovation.com/.

- The Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, is controlled through a 100% holding in Norfolk

Regeneration Company Ltd, which itself owns 50% of The Great Yarmouth Development Company.

- 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. For more information regarding Independence Matters please refer to its website at http://independencematters.org.uk/.

- Norfolk Safety Community Interest Company (CIC) operates in partnership with Norfolk Fire and Rescue Service, and provides a range of risk management, training and development and other services to public bodies, third sector organisations and businesses. For more information please refer to website http://norfolksafety.org/

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

All above subsidiary companies have Council Member and/or Officer representation on their boards of directors.

2.8. The Council is also a partner in seven pooled funds:

- The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. Parties to the fund only contribute a nominal sum to it and the Council now receives funding directly from Central Government as part of the formula funding
- Norfolk Pharmaceutical and Medicines Management Pooled Fund. The Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to provide a pharmaceutical and medicines management service in Norfolk. The Council provides financial management for the Pooled Fund
- There are five Better Care Fund pooled arrangements in place, one with each of the five CCGs in Norfolk. The Better Care Fund (BCF) requires local authorities with responsibility for social services and CCGs to create a pooled commissioning fund for the provision of integrated health and community care services, with a priority purpose of supporting the integration of health and care. Each of the pooled funds is secured through an agreement under section 75 of the National Health Service Act 2006. A partnership board is established with each CCG for the governance of the pooled fund. The Better Care Fund plan, which sets out how funds are spent, is required to be approved by the Health and Wellbeing Board. The Council holds the pooled funds and provides administrative support, for which the Council is reimbursed.

3. The purpose of the governance framework

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

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

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

4. The Governance Framework

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

	Control	Description
4.1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	The Council's vision during 2015-16, was adopted by the Council (page B2) in July 2015. The Medium Term Strategy and Financial Plan's main features were: 1. Focussing on our priorities: • Excellence in education • Real jobs • Improved infrastructure, and • Supporting vulnerable people 2. One public service • Redesigning services around people's lives • Achieving better outcomes • Working with public sector partners and local communities With a change of Leadership at the Council's Annual General Meeting ,on 9 May 2016, that vision is now under review.

	Control	Description
		The Authority's vision and purpose feature prominently in external corporate communications. The ambitions and priorities are set out on the corporate web pages; they are incorporated into all publicly facing strategies; they frame external communications, internal communications. Individual NORSE companies have separate mission, vision and value statements.
4.2	Reviewing the Council's vision and its implications for the authority's governance arrangements.	In the year under review, additional focus through the Medium Term Strategy has strengthened engagement with and understanding of the Council's vision and priorities. A series of Member and staff workshops have raised the profile of the significance of the Council's priorities, and helped shape tangible outcomes and measures of success. The priorities have been highlighted and debated at all Committees, and subsequently communicated widely with stakeholders and residents as part of the Council's consultation on its three-year medium term strategy. The Audit Committee considers the governance arrangements (as set out in this statement) are sufficient to fully support the Council's vision. The mission, vision and value statements of the individual NORSE companies are reviewed regularly and included in the annual business plan approved by the Board. A report on the governance of NORSE was reported to the Policy and Resources Committee on 21 March 2016. Details of the findings are included in 5.7.
4.3	Translating the vision into objectives for the authority and its partnerships	The Council's vision and priorities are translated into objectives through the strategic and service planning process. Each individual Service Committee produces a Committee Service Plan which provides members with a single view of key objectives, activities and outcomes of the services under the auspices of the Committee. It addresses the following: • Delivering the Council's priorities - specific activities which individual services will undertake to deliver the Council's four priority outcomes • Objectives for the department's core business • Budget and resources - what the money will be spent on and what it will deliver/achieve • The Committee's performance, risk and accountability framework.

	Control	Description
		Elements which make up committee service plans have been considered as part of the budget process. Final service plans will be signed off following confirmation of the County Council Plan by Full Council. A new County Council Plan has been produced and has been agreed by Policy and Resources Committee and is awaiting agreement of full Council. The Plan sets out: • The strategic context for the Council • The direction of travel, to guide strategic and resource choices • The rationale for the Council's priorities • The approaches the Council will adopt to secure an impact on the most important outcomes for residents, at a time of diminishing resources. • How services will be provided in new ways, in partnership with other public services • Improvements to the Council's internal organisation To improve accountability and delivery, the Plan includes a County Plan Tracker. This sets out a set of whole-council improvements which are considered critical to the overall strategic direction of the Council in the next three years. For each, there are measures, current baselines and targets for the lifetime of the Plan. Whilst the County Council Plan sets out the overall strategic direction and priorities for the Council, it is not intended to capture everything the Council does. During the year under review, the Council has strengthened its role in systems leadership, recognising that many of the key challenges to improving outcomes for Norfolk residents can only be achieved through collaboration and shared objectives with partners. Examples of this include the Public Service Summit work, Health, Social Care leadership, and devolution planning. Council's elected Members and Chief Officers are represented on key partnership boards. This ensures that the partnerships the County is engaged in contribute to the delivery of the Council's vision for Norfolk. Key partnerships are: - The Norfolk Health and Wellbeing Board. The Board brings together a wide range of partners to provide strategic systems leadership on work to improve health and wellbeing in Norfolk. For 2015-16, the Council was represented as follows: a dedicated County Council Member representative, Chairpersons of the Children's Services and Adult Social Care Committee,

	Control	Description
		Managing Director, Director of Public Health, Executive Director of Children's Services, and the Executive Director of Adult Social Services - Safeguarding Boards for Adults and Children have representation from the relevant Service Committee Chair person and the relevant Council Executive Director - The 'New Anglia' Local Enterprise Partnership provides the strategic lead for developing a clear vision and set of economic priorities across Norfolk and Suffolk and the Council is represented by the Leader of the Council, who sits on the Board - The Norfolk Countywide Community Safety Partnership provides strategic leadership of the community safety agenda in Norfolk and the Council is represented by the Executive Director of Adult Social Services, Director of Public Health, Assistant Director (Early Help & Prevention) Children's Services, Brigade Manager Norfolk Fire and Rescue Service, Youth Justice Service Manager and the Community Safety Manager. - The Norfolk Children and Young Peoples' Strategic Partnership Board leads on the children's agenda and the Council is represented by NSCB Independent Chair, Assistant Director of Education, Head of Joint Commissioning, Assistant Director of Early Help and Prevention, Director of Public Health, Assistant Director (Performance and Challenge), Assistant Director Social Work and Executive Director of Children's Services. Norfolk and Suffolk are working together towards a devolution deal to gain the maximum benefit possible for the area. For Norfolk, a successful deal would support the achievement of the Council's ambitions. Devolution Agreement provides for the transfer of significant resources and powers from central government to the region including, for example, infrastructure, housing, economic development, and employment and skills, which will positively impact on the lives of residents by helping create more jobs, more housing, improving the skills and employment prospects of residents and boosting the productivity of East Anglia. On 27 June 2016, the Council met to endorse the latest Devolution deal and Scheme of Governance for the Combined Authority for consultation. For more details, please see 27 June 2016 County Council Agenda (page 3). The minutes will be available in due course. The Norfolk Fire and Rescue Statement of Assurance provides details of how service priorities are established over the medium term.

	Control	Description
4.4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money	The Council's performance management system is key to ensuring that scarce resources are used to best effect, and that the Council delivers demonstrable results to the people of Norfolk. During the year improvements have been introduced to ensure that the quality of services for users can be effectively measured. A new performance framework was agreed by the Policy and Resources (P&R) Committee in October 2015. It is being rolled out to the service committees during May 2016 and to P& R in July 2016.This provides greater assurance that the Council's resources have been used to best effect, and deliver demonstrable results to the people of Norfolk. A review of existing arrangements, commissioned by the Managing Director, concluded arrangements would be improved by ensuring the performance management system: • Focusses on the right things – delivering the Council's priorities • Manages its vital signs and key risks; as reflected in the 'performance pyramid' and the subject of recent member workshops • Sets accurate baselines and targets – to give clarity on the direction and scale of performance improvement required • Strengthens accountability – covering ownership, responsibility for delivering performance, and building these accountabilities into personal objectives and development plans • Informs purposeful management – performance indicators are used to inform and motivate, rather than merely be the subject of reporting • Provides timely and effective monitoring – with performance reports that provide a snapshot, based on accurate and timely information • Drives an agile performance management culture – that encourages investigation, fixes performance problems and embraces challenge to existing ways of doing things. A set of 'vital signs' for each service have been produced which provide transparency and assurance on the health of key services. The vital signs are based on the following criteria: • Insightful and timely – measuring the things that tell us most about how the Council is doing, and that can anticipate significant problems or improvements • Clearly aligned to priorities – so it is obvious how the Council can impact upon performance, and how that performance impacts on Norfolk citizens

	Control	Description
		• They say something important about performance – measuring something that matters to people, or that is important to the effective management or running of services • Technically correct and based on good quality data – so that results can be trusted, and actions can be taken with confidence • Can be owned – so it is clear who can impact on performance, and who has responsibility to report upon, explain and manage performance. About a third of members have been engaged in workshops to develop these signs, and the suite of measures tested at service committees. New methods and disciplines have begun to be introduced to use data and routines more effectively. This includes the expectation that monthly performance discussions will be undertaken, with active lines of inquiry to ensure management action is taken to address and anticipate performance that is off trajectory. Drawing on widely-recognised good practice, the newly established team has introduced the concept of in-depth review of critical indicators and processes. They have supported the Managing Director and relevant committee chairs to lead stock takes of progress on particular functions or services where there has been long-standing performance issues. Regular performance reporting to committees helps focus attention on poorly performing areas and highlight areas of good performance. Dashboards are used providing a summary of key performance indicators (KPIs) which focus on key areas agreed by members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT). These also form the basis for reporting to the public and our partners. KPIs have been strengthened by incorporating the key areas identified during the vital sign exercise. The Boards for the NORSE companies include senior member and officer representation appointed by the Council.
4.5	Defining and documenting the roles and responsibilities of the Council Committees and Officers, with clear delegation arrangements and protocols for effective communicatio	The County Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It includes clear communication protocols and defines roles and responsibilities. The law requires us to have some of these processes, whilst others are a matter for the Council to choose. A link to the Constitution can be found on our website and includes all of these areas, including a scheme of delegation. Four Service Committees (Adult Social Care, Environment, Development and Transport (with an Economic Development Sub Committee), Children's Services and Communities Committees. The Policy and Resources Committee is responsible for co-ordinating processes for the development of the Budget and the Council's

	Control	Description
	n in respect of the authority and partnership arrangements	Business Plan. It also has responsibility for some corporate and regulatory functions and for the exercise of the Council's functions in respect of public health. Role descriptions for members and the roles they undertake are clearly set out in the Constitution. There is specific advice within the Constitution provided by the Head of Law, on the Position of County Council Appointees on Outside Bodies, which summarises the legal position of members and officers appointed to serve on outside bodies. NORSE has its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council. As a result of a review of the Norse governance arrangements additional clarity has been made in respect of who, within the Council, is responsible for the stewardship of Norse governance arrangements.
4.6	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.	The County Council's Constitution includes a Members Code of Conduct. Our Human Resources Shared Service produces a Standards of Conduct and Behaviour Policy for employees. It is published on PeopleNet which is available to all staff. It is provided to all employees on appointment and forms part of their conditions of employment. The Constitution Advisory Group has been established to advise on necessary changes to the Constitution – in the last year it has reviewed and made recommendations on amendments to Financial Standing Orders and Committee Procedure Rules. For NORSE these areas are the responsibility of the Board and include written standards of conduct and behaviour. These are communicated to all staff at induction.
4.7	Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in	All elements of the Constitution were reviewed in May 2015, including the scheme of delegation and appropriate amendments were made to the Constitution. The Constitution sets out the decision making framework. Financial Regulations, a Member Protocol on Contracts and Purchasing, a Working Groups Protocol and a Protocol for conducting Committee business also form part of the Constitution. Using information to allow the Council to make well informed operational and strategic decisions is based on the underlying integrity and quality of the information held within the Council's business systems. Data Quality processes and procedures exist within the Council's main computer systems and are undertaken regularly. The Council has

	Control	Description
	partnerships and robustness of data quality	continued to embed the importance of accurate and timely information being held. Some services have identified the need for further controls to be put in place to ensure the robustness of data quality. The Information Management Strategy was agreed by the County Leadership Team on 11 March 2016. One of the requirements within the strategy is information to be fit for purpose.
4.8	Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	The Council has a risk management framework and policy which is reviewed every two years by the Audit Committee and significant changes are reported to and approved by full Council. County Leadership Team regularly review the corporate risk register and Executive Directors report regularly to their relevant committees on their departmental risk registers. The Council is a member of the CIPFA benchmarking club. The club conducts an annual benchmarking exercise to test member organisations' performance against the major risk management standards, expectations of inspection bodies and criteria that inform the risk management element of this Annual Governance Statement. All the governance issues identified through the preparation of this document have already been identified through the risk management process. NORSE – The Board reviews the risk register on a six monthly basis. A Risk Advisory Group, comprising senior staff and external experts has been established to provide advice to the Board.
4.9	Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained, in line with the CIPFA Code of practice on managing the risk of fraud and corruption	The Council has an Anti-fraud and Corruption Strategy, which is reviewed annually by the Audit Committee and was last reviewed at the January 2016 meeting (Item 10). The Audit Committee champions Anti-fraud and Corruption and receives a report twice yearly on the effectiveness of the counter-fraud and anti-corruption framework and activities in the period and plans for future activities. These have been informed by recommendations and advice from Fighting Fraud Locally publications, from the European Institute for Combating Corruption and Fraud (TEICCAF), Protecting the Public Purse and our External Auditors. Having considered all the principles, the Chief Internal Auditor is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. This is achieved by meeting the CIPFA Code of practice principles on managing the risk of fraud and corruption which states that the leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates

	Control	Description
		effective financial stewardship and strong public financial management. The five key principles of the code are to: 1. Acknowledge the responsibility of the governing body for countering fraud and corruption 2. Identify the fraud and corruption risks 3. Develop an appropriate counter fraud and corruption strategy 4. Provide resources to implement the strategy 5. Take action in response to fraud and corruption. Please see website for more details: CIPFA Code of Practice for counter fraud. For NORSE, a group ant-fraud policy has been developed and communicated.
4.10	Ensuring effective management of change and transformation	The County Council has established industry standard portfolio, programme and project management techniques which have been in place since 2010. This includes tools and templates which are available online to all staff who are planning or delivering change activities. Risks and issues related to projects and programmes have an escalation route up to Directorate and corporate risk registers which ensures that risks are managed consistently and using the County Council risk management governance. Regular monitoring reports on projects and programmes delivering savings are collated by Finance and reported to the relevant Service Committees and consolidated for the Policy and Resources Committee as part of the Council's performance management framework. For NORSE, targets for specific projects are agreed and progress is reported to the Board.
4.11	Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial	The Council meets the requirements through the role of the Executive Director of Finance. He: • Is a key member of the County Leadership Team (CLT), helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives. • Is actively involved in and can influence all material business decisions taking into account both short and long term implications, opportunities and risks and the Council's financial strategy by membership of CLT, other groups and attendance at relevant Council meetings. • Leads the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively for example by advising

	Control	Description
	Officer in Local Government (2010) and , where they do not, explain why and how they deliver the same impact	on the Council’s financial strategy and planning, risk management, budgetary control throughout the Council. • Leads and directs the finance function, that is suitably resourced. • Is a professionally qualified accountant and has wide experience of local authority finance. For NORSE, the Group has a qualified Chief Financial Officer and the results are consolidated into the Annual Statements of Accounts of the Council.
4.12	Ensuring the authorities assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact	The Chief Internal Auditor conducts a self-assessment to the CIPFA Statement on the Role of the Head of Internal Audit (2010). The governance arrangements, the role and the personal attributes of the Chief Internal Auditor are compliant with all five principles as laid out in the Statement. The Chief Internal Auditor attends the County Leadership Team when needed. The Internal Audit Plan, as agreed with the Audit Committee, fully supports the Chief Internal Auditor in delivering his duties in compliance with the statement, both in terms of the coverage provided through audit work and through time being allocated to ad hoc advice and support to Executive Directors as necessary and appropriate. The internal audit team complies with the requirements of the relevant professional standards, ie the United Kingdom Public Sector Internal Audit Standards. NORSE employ their own internal auditor reporting to the Board. A three year Audit Strategy has been developed, and an annual audit plan is agreed within that strategy. The strategy is informed by the Group Risk Register and key risk areas identified by external auditors.
4.13	Ensuring effective arrangements are in place for the discharge of the monitoring officer function	The responsibilities of Monitoring Officer are included within the post of Head of Law, and are described in the Monitoring Officer Protocol in the Constitution.
4.14	Ensuring effective arrangements	The responsibilities of Head of Paid Service are included within the post of Managing Director, as described in the Constitution.

	Control	Description
	are in place for the discharge of the head of the paid service function	
4.15	Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.	The main purposes of the Council's Audit Committee are to: • Provide proactive and effective leadership on audit and governance issues, • Champion audit throughout the Council, • Champion risk management throughout the Council, • Consider the effectiveness of the anti-fraud and corruption arrangements • Review the effectiveness of the system of internal control. The Committee's minutes and agendas from its quarterly meetings are available on the Council's website. The website also includes general information about the Audit Committee, the councillors who sit on the Committee and its structure. The Committee reviews its Terms of Reference annually and changes are approved by the Council. The NORSE Group Board performs the functions and duties of the Audit Committee for NORSE. An Audit Advisory Group has been established, to advise the Board and provide additional scrutiny.
4.16	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	The Practice Director of Nplaw is the Council's Head of Law and the Council's Statutory Monitoring Officer. She seeks to ensure compliance with relevant laws and regulations. A protocol covering the role and functions of the Monitoring Officer is contained within the Constitution. The Monitoring Officer is a practising solicitor qualified for over 25 years. An Annual Report from the Monitoring Officer is reported every year to the June Audit Committee. With regards to the Norfolk Pension Fund, a new Oversight Board has been set up. One key role of the new Board is to assist Pensions Committee and officers with ensuring compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the scheme. For NORSE the Company Secretary performs this role.
4.17	Whistle-blowing and for receiving and	Whenever a member of the public contacts the Council to either complain or praise the Council, the contact is dealt with in accordance with our Complaints and Compliments Policy and Procedures. The

	Control	Description
	investigating complaints from the public	County Council also has a well publicised Whistle-blowing Policy, available on its A-Z webpage and advertised throughout the Council. The policy was reviewed during 2015-16 and an updated version will be published during 2016. NORSE has its own published Whistle-blowing policy and welcomes customer feedback, as described in its quality systems page of its website http://www.ncsgrp.co.uk/quality_systems.htm.
4.18	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	On their election, Members are offered a Personal Development Plan (PDP). Members will have the opportunity to discuss their development needs with an HR professional and from this a personalised plan of training is developed and provided. Where appropriate there is a mid-term review to assess progress and identify any additional needs. A programme of development for all Councillors is also provided which all Members are encouraged to attend and which covers a wide range of both service specific and Council wide issues. Effectiveness is measured through feedback. Detailed information about the training delivered and who attended is maintained. The process for identifying development needs of senior officers in strategic roles is through our performance framework. There are two formal reviews in the year and regular 1-1s where development needs are discussed. Targeted training is put in place as required. Work is being implemented to reinforce senior manager accountabilities. Within NORSE the Company Secretary is responsible for providing Directors with advice about their roles and responsibilities.
4.19	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	There are a range of channels of communications. Norfolk County Council's website has been refreshed during the year to make it more customer focused. A resident's magazine called Your Norfolk is distributed three times a year to all households, plus Your Norfolk extra – an electronic version is published six times a year on our website and directly to those who subscribe online. There is good and regular use of local media for communications and during the year there has been an increased use of social media. During 2015/16 an online/web app – Norfolk Future You – aimed at 13 to 21 year olds was created to provide suggestions on careers, based on an individual's interests. On 1 February Children's Services Social Care had a live twitter awareness day to provide a picture of real social care in Norfolk. On April 28 colleagues across Norfolk County Council's Community and Environmental Services conducted a 'live tweet' day, showcasing work happening across the length and breadth of Norfolk roads. In the year under review, there has been increased proactive communications with stakeholders through the development of the

	Control	Description
		Medium Term Strategy and subsequently the consultation on the 3 year Strategy. The public consultation ran from the 30 October 2015 to the 14 January 2016. People were able to respond online, by email, on Twitter and Facebook, by telephone and in writing. Every response was read in detail and analysed to identify the range of people's opinions, any repeated or consistently expressed views, and the anticipated impact of proposals on people's lives. Seven accessible events were organised and attended by Council officers to make sure that people from all backgrounds and communities could discuss and comment on budget proposals. Where particular groups of service users were likely to be affected by a proposal, the Council contacted them directly – for example people that would be affected by changes to transport arrangements in Adult Social Services. Individual services maintain open channels of communications with relevant user groups and representative bodies. Briefings and information is provided to Members for use with parish councils. The relationship with Members of Parliament has been re-invigorated, including face to face meetings and briefings on specific issues. All consultations are well publicised, accessible and the outcomes are reported. NORSE provides information via their websites, staff newsletters and local media. Feedback from customers is regularly obtained by large scale customer surveys. http://www.ncsgrp.co.uk/quality_systems.htm
4.20	Enhancing the accountability for service delivery and effectiveness of other public service providers	Improving outcomes for residents requires collaboration and joint endeavour across the public services. The Council is a leading force in the creation of a more collaborative and joined up approach to delivering public services with other providers. For example, a Public Services summit has been held which focused on a series of key themes to do this: • Helping more people to live independently – focusing on older people, people with disabilities, adults with learning difficulties and people with mental health issues. The emphasis is on better access to early help and prevention, re-directing people to community solutions, delaying the need for formal services. • Keeping children with their families, and out of care, preventing the cycle which leads children into the criminal justice system.

	Control	Description
		The emphasis is on early help, sharing better intelligence, and planning with families whom agencies already know. • Maximising resources to drive economic growth • One public estate - maximising our estates and buildings, supporting service re-design and looking for opportunities to co-locate services and reduce the space and number of buildings occupied by public sector partners in each locality. • Joining up street scene to remove duplication, making it better for the public, and reducing costs overall. • Joining up information and intelligence so we share data about needs, risks and harm that will enable us to target our efforts to best effect. The Council continues to play an active leadership role in enhancing health and social care. There is a programme across the Health and Social Care economy in Norfolk to bring about transformational change in the delivery of services to achieve a resilient and sustainable future for health and social care. A set of Norfolk Principles of Care have been developed from the perspective of the citizen to drive the resilience work. The plan provides solid foundation for the developing Sustainability and Transformation Plan for Norfolk and Waveney which the Managing Director is leading. It has the potential to introduce new models of health and social care, accelerate health and social care integration, and deliver the NHS five year forward plan. The accountability for the effectiveness of the commissioned services through Adult Social Care is ultimately with the Deputy Executive Director of Adult Social Services/Director of Integrated Commissioning.
4.21	Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall	NCC works with a range of public, private and third sector partners, as well as with neighbourhoods, local communities and citizens, to achieve our objectives for Norfolk. An integrated Commissioning Team has been set up to support collaborative working across the Council and with a wide range of partners. The Council has an integrated commissioning arrangement with the five Clinical Commissioning groups and Section 75 pooled funds.

	Control	Description
	governance arrangements.	Executive Directors have identified governance arrangements in respect of partnerships and other working groups are currently being strengthened.
4.22.	The specific arrangements with respect to NORSE are set out opposite	NORSE Group company secretary confirmed the following arrangements are in place: • The NORSE Board is responsible for management of internal control throughout NORSE. A senior Member of the County Council represents the Council on each board of the Group and its principal subsidiaries. The Board is currently chaired by the Executive Director of Resources. • Another Member attends Board meetings as shareholder representative. The County Council holds control of the Group of Companies by way of its shareholding, controls in the NORSE Articles of Association and the voting rights of the Directors. • The Company Secretaries advise the Boards of their responsibilities and ensure that the relevant statutory returns are completed. Annual General Meetings have been held during the year for NORSE and all the companies. • The Board is responsible for considering the required internal audit coverage for the Group. The Group employs its own internal auditor, and the Board review and agree a rolling 3 year audit plan. Norfolk Audit Services audit the "client side" of the Company's activity as part of the Council's own internal audit plan. • Grant Thornton provided the external audit services to NORSE for the year ended 31 January 2016. • The final results report for 2014-15 were presented to the Policy and Resources Committee on 1 September 2015 and the annual report was sent to all Members. A NORSE governance review was reported to Policy and Resources Committee on 21 March 2016. • Performance measuring systems, both financial and non-financial, are in place for all the Company Boards. • A full business risk register is reviewed regularly by the Board. More detailed specific registers are maintained by the principal subsidiaries, and reviewed twice yearly by senior managers. • Annual budgets are approved by the Board and progress against these budgets is reported monthly to senior managers of the organisation and quarterly to the Board, the Shareholder Committee and the Council's Executive Director of Finance.

	Control	Description
		• Quality assurance and management systems are in place designed to meet BS EN ISO 9001:2000 which is subject to independent review by external assessors twice every year. • NORSE has a Policy statement on Health & Safety which has been communicated to employees. The Board receives a quarterly report on Health and Safety which includes details of Reportable Accidents and trends in Health and Safety statistics. All subsidiary Boards also consider specific Health and Safety Plans at least annually. • Environmental management is championed at Board level and ISO 14001accreditation is in place or actively being sought. • Annual appraisals are undertaken for all managerial, technical and administrative staff.
4.23.	Hethel Innovation Ltd	• The Board is responsible for management of internal control throughout Hethel Innovation Ltd. The Assistant Director Economic Development and Strategy represents the Council on the Board of the company, which is chaired by Mr David Tate the Chairman of the Hethel Engineering Company. • Regular management meetings (including Council representation) and quarterly Board meetings are used as a mechanism to monitor the revenue and capital expenditure. • The Department for Communities and Local Government (DCLG) provided grant certification services to Hethel Innovation Ltd on a regular basis. In connection with the European Regional Development Fund (ERDF) grant received. Hethel Innovation Ltd's accounts do not require external audit and the Board have agreed that one is not necessary • Performance measuring systems, both financial and non-financial, are in place with management meetings and the Board providing the platforms for discussion. • Risk management arrangements are reviewed and discussed at Board and management meetings. • Annual budgets are approved by the Board and progress against these budgets is reported monthly at Senior Management meetings, quarterly to the Board. • HIL has a Policy statement on Health & Safety which has been communicated to employees. • Regular staff performance reviews take place.
4.24.	Great Yarmouth Development Company Ltd	• The Board is responsible for management of internal control throughout Great Yarmouth Development Company Ltd. The Assistant Director Economic Development and the Chair of the Economic Development Sub-Committee represents the Council

	Control	Description
		on the Board of the company, which is chaired by a nominee of Great Yarmouth Borough Council. • The Board meets quarterly to monitor progress against annual plans and review revenue and capital expenditure. • Annual project based budgets are approved by the Board and progress against these budgets is reported quarterly at Board meetings.
4.25.	Independence Matters Community Interest Company	• Governance of Independence Matters is achieved through direct member and officer involvement in the key corporate structures. Independence Matters is managed by two Boards – an Enterprise Development Board (EDB) and a Social Enterprise Board (SEB). • The relationship between the council and Independence Matters is managed via the EDB, on which the Council has voting control. • The Council owns 49% of the Company shares and the staff own 51% which are held in an Employee Benefit Trust. • The EDB is chaired by the Council's Director of Integrated Commissioning. It also contains the Council's Member Chair of the Adult Social Care Committee and one other elected member. • In addition, the EDB also contains two senior Council officers with relevant responsibilities as well as the lead commissioner, the Finance Business Partner for Adult Social Care, the Managing and Finance Directors within Independence Matters and one UNISON representative. • The SEB has ultimate responsibility for governance within the company. The company has voting control and the Council is represented on the SEB. The governance arrangements for the SEB are set out in the Company Articles of Association and explained below. • The SEB includes the Managing and Finance Directors within Independence Matters, two staff representatives, two stakeholder representatives, one Council Director and three Non-Executive Directors one of whom is the Company Chair. • The first Independence Matters AGM took place on 6 November 2014. Accounts for all trading up to 31 March 2015 were made available at the AGM as was an accompanying annual report. The next Independence Matters AGM is planned to take place on 5 November 2016. Accounts for the year ending 31 March 2016 will be made available at the AGM. • A full business risk register and Quality Assurance framework for Independence Matters is in place. Independence Matters

	Control	Description
		has ISO9001 certification for Norfolk Industries. It is not intended to seek ISO 9001 certification for the rest of the organisation. Independence Matters uses the Council Health & Safety policy.
4.26	Norfolk Safety Community Interest Company (CIC)	• Norfolk Safety CIC is wholly owned by the Council and limited by guarantee. • A Board of Directors, including a Member of the Council, the Chief Fire Officer and Managing Director of the company, oversees the operation of the Company. • The Managing Director of Norfolk Safety CIC is responsible for the day to day management of the company and reports directly to the Board of Directors. • Arrangements for establishing the working arrangements of the Company are currently in hand. • Regular performance management meetings between a designated Board member (Chief Fire Officer) and the Managing Director of the Company, review both financial and non-financial performance. • The Company has adopted quality assurance and health and safety policy standards consistent with the Council as appropriate to the activities of the Company.
4.27	Norfolk Energy Futures Limited	• A Board of Directors, including three Officers of the Council, oversee the operation of the Company. • Annual project based budgets are approved by the Board and progress against these budgets is reported monthly at Board meetings.
4.28	France (Channel) England programme	Norfolk County Council has been appointed to manage the 2014-2020 France (Channel) England Interreg Va European programme. On Thursday 23 June the UK voted to leave the European Union. Our understanding to date, is that there will be no immediate impact on FCE or any European funding from the outcome of the referendum. Any negotiation on the condition of the exit will take at least two years. In the meantime the FCE Managing Authority will continue to work with the French and UK representatives to deliver the programme. 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) has been approved by both national governments and by the Commission in October 2015.

	Control	Description
		The Council is responsible for delivering the following functions: • The Managing Authority, which will manage the delivery of the Cooperation Programme • The Certification Authority, which will be responsible for payments to partners and claims from the European Commission • The Audit Authority, which will provide assurance and be accountable to the European Commission and its Court of Auditors • The Joint Technical Secretariat, which will assist all of the above under the authority of the Managing Authority. Within the Council, a Project Board has been set up to oversee the management of risks this initiative generates for the authority. The Audit Committee has been kept up to date with work undertaken to prepare and set up the Audit Authority function. The Audit Committee, at its January 2016 meeting, has endorsed the new Terms of Reference for the Council's internal audit team, which now incorporates the delivery of the Audit Authority function for the FCE programme.

5 Review of the effectiveness

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

That review is informed by:

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

Responsibility for this annual review has been delegated to the Audit Committee. Overall it is considered the Council's governance arrangements continue to be fit for purpose, in accordance with the governance framework. Significant governance issues have been identified in section 6.

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

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

5.1 The Council & Executive Directors

	Process	Comment
1	Statutory roles of Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.	• Members have received the full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. • An Annual Internal Audit Report from the Executive Director of Finance/Chief Internal Auditor was made to the Audit Committee at its 16 June 2016 meeting. There were no exceptions to report. • An Annual report of the Monitoring Officer was made to the Audit Committee at the 16 June 2016 meeting. There were no exceptions to report. • Approval of the annual Statement of Accounts is by the Audit Committee each September. • There is an annual review of the Constitution and other key policies and strategies (The Policy Framework).
2	Risk Management policies and procedures are in place to ensure that the risks facing the Council in	• The Council approved its Risk Framework and Policy, 'Well Managed Risk Management', in 2013. This was reviewed and updated in 2014 and the updates were approved by Full Council. The Audit

	Process	Comment
	achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.	Committee, established in 2005, has responsibility for governance arrangements including for risk management. Work is underway to refresh the 'Well Managed Risk Management' document, along with reviewing the Risk Framework and Policy. • The embedding of strategic risk management into business activity continues throughout the County Council. • Corporate and departmental risk registers are in place and being used by managers as a management tool. • Reporting of risk management activity to Members is embedded; for instance risk registers are reported to the Audit Committee quarterly, to each of the Service Committees, to County Leadership Team and Senior Management Teams. The quality and range of data and information included in these reports has been strengthened to better inform committee members on progress with managing specific risks and give them a better overview of the risk profile of each services. • A risk management e-learning package for members and officers has been developed and is available to all members and staff. This complements the existing training available through the Human Resources Learning & Development and Organisational Development Centre of Expertise. • Insurance policies and funds are in place and are regularly reviewed at least annually to ensure the Council is adequately safeguarded. • Under the Fire and Rescue Services Act 2004 (The Act) The Council is the statutory Fire and Rescue Authority (FRA). The Act makes it a statutory requirement for the Fire and Rescue Authority to produce an Integrated Risk management Plan (IRMP). Norfolk FRA published its IRMP for 2016-2020 in February 2016. • Executive Directors have confirmed the risk registers have been regularly reviewed and updated throughout the year.
3	Provision of effective, efficient and responsive	This is achieved through a number of processes. For example:

	Process	Comment
	systems of financial management.	• The Council's Constitution sets out the Council's decision-making framework, including delegation arrangements. The Constitution includes Contract Standing Orders and Financial Regulations which set out how decisions are made and the procedures to be followed. Updated Financial Regulations were approved by Council on 11 April 2016 • The Executive Director of Finance is responsible for ensuring that appropriate financial advice is given on all financial matters, keeping financial records and accounts and for maintaining an effective system of financial control. • Systems and processes for financial administration, financial control and protection of the Council's resources and assets are in place and these are continually reviewed to ensure they meet the Council's business requirements. • Effective internal control arrangements are in place. These include financial guidance, budgetary systems, monitoring systems, delegation arrangements, accounting procedures, information systems and authorisation and approval processes. • Annual accounts are published on a timely basis. • An effective internal audit function is resourced and maintained. • An effective Audit Committee is in place. • Councillors' roles and responsibilities for monitoring financial performance/budget management are clear and that they have appropriate access to financial skills and training to discharge their responsibilities. • Ongoing monitoring of assurance arrangements in respect of partnerships and alternative service delivery models with appropriate access to information. • Risk management arrangements are effective • Finance and other staff are assessed to ensure they have the necessary financial skills to carry out their roles effectively. • Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with

	Process	Comment
		financial implications are signed off by the finance function. • Measures are in place to prevent, detect and investigate fraud and corruption. • Two Executive Directors confirmed the financial regulations are being fully complied with. Three Executive Directors confirmed financial regulations are partly complied with and are currently working towards full compliance.
4	Delivery of services by trained, skilled and experienced personnel.	The key process for ensuring delivery of services by trained, skilled and experienced personnel is through individual performance management. Managers ensure that all employees understand the council's strategic direction and priorities and how their job relates to them through their individual objectives, and that performance conversations identify areas requiring improvement and galvanise positive action. Framework of expectations have been set out for all for senior managers - including common leadership objectives, and a set of behavioural expectations (as part of the revised ways of working). A refreshed tool kit is being developed to ensure we consistently assess senior officer competence and address gaps, including ensuring all Departmental Management Teams have a common set of functional accountabilities, with named senior managers. The revised leadership development strategy will provide further targeted development for skills needs All managers have been encouraged to attend Performance Conversations training during 2015-16 in order to develop their ability to engage people in 'high quality conversations around how we improve performance'; a key skill for creating a high performance culture and central to the new ways of working framework. A monitoring system of the appraisals is in place through Oracle where completion rates and ratings are recorded by line managers. This information is provided to departmental management teams and CLT to review and take up follow up action. Executive Directors are accountable for ensuring appraisals are performed. The number of appraisals undertaken and outstanding are reported to Departmental Management Teams and CLT. Two Executive Directors confirmed performance targets are in place for most staff. Three Executive Directors

	Process	Comment
		have identified coverage is not universal and this will be addressed as part of the 2016 appraisal cycle.
5	Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate.	The County Council Plan sets out the Council's strategic ambition, priorities and the areas of the Council's business where it needs to make the fastest improvements to secure Norfolk's long term future. Section 4.4 above provides details of the corporate performance management framework that has been in place during 2015-16. Each Service Committee considers performance monitoring reports quarterly. These provide both quantitative and qualitative performance information and performance is monitored against KPIs. Where available and appropriate, benchmarking against national averages and statistical neighbours. In parallel, each Departmental Management Team reviews performance at least monthly, with challenge provided by the Business Intelligence function. External challenge has been provided through inspections and peer reviews. See section 5.6 below. Two Executive Directors have confirmed KPIs have been established, monitored and reported regularly. KPIs are being established in the other areas and will be regularly monitored next year.

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

Process	Comment
The business of the Council is carried out and developed through the Council, Service Committees, the Audit Committee and the Pensions Committee.	Decisions are made by all-party committees with membership reflecting the overall political makeup of the Council. Committees debate, challenge and make decisions. The need to make sure that decisions are robust and that members are sufficiently challenging and have the appropriate level of support and information was clearly understood and made part of the Member Training Programme. The Pensions Committee and the Audit Committee continue in their current roles. The Pensions Committee is now supported by the new Oversight Board.

5.3 The Standards Committee

Process	Comment
The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.	The Committee met twice during 2015-16. Its business included • A review of the complaints received and an update on how they were being resolved • A briefing for members on declarations of interest compliant with the Localism Act 2011 • An update on standards in public life • Changes, and recruitment, in relation to the role of the Independent Person.

5.4 Chief Financial Officer

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

5.5 Internal Audit

Process	Comment
Internal Audit provide independent and objective assurances across the whole range of the Council's financial and non-financial activities	• Changes in the terms of reference for the Audit Committee are approved by the full Council. Minor changes have been recommended for consideration by the Audit Committee in June. • The Audit Committee received an Annual Report on the delivery of the Internal Audit Plan and the assurance opinion at its 16 June 2016 meeting. No exceptions were reported. • The External Auditor is able to place reliance on the work of Norfolk Audit Services and has assessed that Internal Audit provides an effective service overall. • The internal audit team is compliant with the relevant professional standards, namely the United Kingdom Public Sector Internal Audit Standards. • Norfolk Audit Services is continuing to develop its work programme such that resources are allocated based on a systematic assessment of all areas of risk facing the Council in carrying out its functions.

5.6 Other explicit review/assurance mechanisms

	Process	Comment
1	External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.	• The overall key message in the external auditor's (EY) Annual Audit Letter (available on the Council Finance webpage Statement of Accounts 2014-15) was that an unqualified opinion was issued on the Council's accounts for 2014-15. • The County Council was also given an unqualified 'Value for Money' opinion, within the Annual Audit Letter. • The County Council complies with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2	Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply.	• The County Council complies with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 • The County Council has adopted the CIPFA Treasury Management in Public Services Code fully revised second edition 2011. • Norfolk Audit Services has implemented the UK Public Sector Internal Audit Standards, which came into effect on 1 April 2013. Norfolk Audit Services self-assesses compliance annually. An external assessment will be organised over the next three years, in line with the requirements of the standards.
3	Reviews by external agencies and inspectorates, which would encompass most major services, and other specific external evaluations, for example, the Local Government Ombudsman and Health & Safety inspectorates. Include peer reviews.	Resources ICT • The Public Services Network (PSN) allows the UK government to safely and securely enable and share public services effectively and efficiently. The PSN accreditation was achieved in September 2015 and is renewed annually. HR • The Payroll function is covered by the programme of external audit, some of these audits, by agreement, are carried out by our internal audit on their behalf. • The Health & Safety function is ultimately answerable to the HSE and in the last year we had two completed investigations by the HSE, (Wensum Lodge, Suffield Park School). The HSE concluded that our systems were satisfactory.

	Process	Comment
		There is a third investigation which is ongoing at this point. • Norfolk Fire and Rescue Service carried out one investigation into the adequacy of fire arrangements / risk assessments within Schools. Investigation concluded that the arrangements were satisfactory. NpLaw • NpLaw had its external Lexcel (the Law Society's legal practice quality mark for excellence in legal practice management and excellence in client care) assessment in March 2016 and its accreditation as a legal practice was renewed. NpLaw has had no other external reviews/inspections. Children’s Services • In October 2015, the Council received the published Ofsted report from the inspection Ofsted carried out in July 2015. This judged some areas of Children’s Services to be inadequate. In their recent inspection, Ofsted recognised the “significant improvements” already made in the county, particularly in the Council’s child protection and early help work and in overall leadership and management. The final judgement was based on underdeveloped services for children in and leaving our care. In conjunction with the Commissioner for Children’s Services appointed in December 2015, Children’s Services is undertaking intensive and extensive improvement activities in these areas. The Improvement Plan represents a set of priorities for Children’s Services that will focus the use of existing financial resources. No additional resources are required to deliver the Ofsted Improvement Plan. Community and Environmental Services (CES) • The Norfolk Community Learning Services had three Ofsted Monitoring visits during the year with the final one being judged as significant progress – the highest judgement possible at that visit. • Other accreditation obtained by CES have been appended at Appendix 1.

	Process	Comment
		Fire and Rescue • Fire and Rescue Authorities must provide both local communities and the Government with an annual statement of assurance on financial, governance and operational matters. • Norfolk Fire and Rescue (NFRS) must demonstrate it is doing what the Government expects of it, as laid down in the National Framework for Fire and Rescue Authorities 2012 and that it is delivering the local Integrated Risk Management Plan. • The Annual Statement of Assurance for 2014/15 can be found at Norfolk Fire and Rescue Statement of Assurance 2014/15. • Fire and Rescue Service Peer challenges are managed and delivered by the sector for the sector. They complement the industry standard Operational Assessment (OpA) with a 'sector-delivered' peer challenge once every three years. • The Review has been published on the Norfolk Fire and Rescue Service website and can be found at Norfolk Fire and Rescue Service Peer Challenge Report. • ISO 9001 revalidation, February 2016 (Fleet, Operational Assurance & Technical Services departments).

	Process	Comment
	Other Independent Reviews	An independent report was commissioned in April 2014 from Mr Stephen Revell. There was no cost to the Council. The inquiry was eventually wound up by Cliff Jordan, Leader of the Council. When author Stephen Revell stated that he had not been able to make progress with the report there is no action being taken to pursue the inquiry, however the matter has been subject to continuing enquiries to Council.

5.7 Review Mechanisms for NORSE

	Process	Comment
	NORSE activities review mechanisms include	During the year the Council conducted a thorough review of its governance arrangements in relation to the NORSE, to take account of legislative changes, the growth of the NORSE, changes to the Council's own system of governance and changes to Senior Management. Recommendations, reported to the Policy and Resources Committee on 21 March 2016 included clarity of purpose, parent approval of business plans and strategies, clarity over who is responsible for stewardship of NORSE, improved control through a Shareholders' Agreement and regularly reviewed Service Level Agreements and effective reporting, audit and scrutiny with member and officer oversight. It was recognised that a range of controls were already in place in relation to the Norse Group of companies. Some of the recommendations formalise or strengthen existing arrangements whilst others are additions to those arrangements. NORSE Group Company Secretary confirmed that the following review mechanism are in place. Quarterly Board meetings receive reports on all aspects of the Business. The Board includes a senior member and is chaired by the Executive Director of Resources of the Council. Board meetings are also attended by the shareholder representative. The Shareholder Committee, comprising six members and politically balanced, receives quarterly reports on the activities of the Companies. Shareholder consents as required under the Articles of Association are considered for approval by the Executive Director of Finance in consultation with the shareholder representative before review by the Shareholder Committee.

		All Board Papers are sent to the Council's Managing Director and Executive Director of Finance. The services provided by Norse Care are subject to external audit by the Care Quality Commission.

5.8 Review Mechanisms for Hethel Innovation Ltd (HIL)

	Process	Comment
	HIL activities review mechanisms include	A self-assessment checklist has been completed and an audit has provided assurance about the evidence available to support a sample of the responses received. Quarterly Board meetings received reports on all aspects of the Business. The Board includes a senior member and a senior officer of the Council and is chaired by the Chairman of Hethel Engineering. Senior management meetings included Council representation. The activities undertaken by Hethel Innovation Ltd are subject to external audit by the Department for Communities and Local Government (DCLG) in connection with the European Regional Development Fund (ERDF) grant received.

5.9 Review Mechanisms for Great Yarmouth Development Company Ltd

	Process	Comment
	Great Yarmouth Development Company Ltd activities review mechanisms include	Quarterly Board meetings received reports on all aspects of the Business. The Board included a senior member and a senior officer of the Council and is chaired by a Great Yarmouth Borough Council Councillor. Senior Management meetings include Council representation.

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

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

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

	Process	Comment
	NSCIC activities review mechanisms include:	• A Board of Directors, including a member of the Council, oversees the operation of the Company.

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

6 Significant governance issues

Key governance issues that need to be addressed, are set out below.

6.1 Data Quality

Consistency in the approach to data quality across the various parts of the organisation has not been in place during 2015/16. Issues with double recording of Personal Education Plans for looked after children data were identified. This is now being rectified. In preparation for the re-procurement of the social care, it has been identified that a large amount of data cleansing is required. Data quality has been included on the corporate risk register as a potential risk (RM007 Potential risk of organisational failure due to data quality issues) and mitigating actions are in place to develop processes and governance to monitor and assure information quality. The risk is currently rated as amber with amber prospects of meeting its target score by the target date. Proposed Data Quality Audit work is included in our planning for 2016-17 work.

6.2 Information Security

During 2015/16 Norfolk Audit Services undertook a series of audits, including unannounced visits, looking at information security across a number of services within the Council and the audit concluded there were a number of controls that needed strengthening. Based upon the results of the audit work and information from data breaches reported to the Information Management Service for investigation in 2015/16, information security continues to remain a challenge and an area for further strengthening within the Council. On 11 March 2016 County Leadership Team agreed the Information Management Strategy, which will provide clarity and accountability for the work to address these requirements. Information security has been included on the corporate risk register as a potential risk (RM003 Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practices). The risk is currently rated as amber with amber prospects of meeting its target score by the target date. The 2016-17 Internal Audit Plan includes a Records Management and Data Protection audit.

6.3 Learning points from County Farms audits

Thirty seven recommendations were made as a result of the audits performed on County Farms during the year. In summary, improvement is required in respect of; clarity of roles for members and clarity of procedures for officers. A copy of the full reports to the Audit Committee on 21 April 2016, Supplementary Agenda, can be found at CMIS > Meetings. An action plan and deadlines have been agreed for Responsible Officers. Estates management has been proposed to be included on the Finance departmental risk register as a potential risk (RM14257 The potential risk of failure of Estates Management). The risk is currently proposed as being rated as amber. An internal audit of the controls is planned for 2016-17 to provide assurance on the progress made with the recommendations.

6.4 Children's Services

A Children's Commissioner was appointed by the Department for Education to support and review the improvement of children's social care as a result of the Ofsted inspection in October 2015. The Commissioner has been assessing the Council's leadership and management capacity and its capability to drive forward the changes necessary to achieve adequate performance across all areas of the service and has reported to the Secretary of State. The report has not yet been issued to the public. The potential failure to improve at the required pace has been included on the corporate risk register as a potential risk (RM018 Failure to improve at the required pace). The risk is currently rated as amber with amber prospects of meeting its target score by the target date. The 2016 – 17 audit plan does not include an audit on the Ofsted improvement plan, because of the review being undertaken by the Commissioner.

A Department for Education (DfE) Directions Notice was recently published which sets out the continued steps required as we continue to improve services for vulnerable children in the county. Alongside this was a report from our Children's Commissioner Dave Hill, covering the period of his work with us during the first three months of this year. Both documents confirm that improvements have been made since 2015 - but both also set out steps for further and faster improvements, which were welcomed by Roger Smith – chairman of the Children' Services Committee. Because of the time lapse between these reports being drawn up and published, many of the recommendations made are already underway like work on a new strategic partnership with Barnardo's and the launch of our new Norfolk Social Care Academy, announced on 11 July 2016. The Ofsted letter, published on 13 July 2016 gives a more updated picture of progress.

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

Leader – Cliff Jordan

Managing Director – Dr Wendy Thomson

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 Communities and Environment
- Executive Director of Finance (Section 151 Officer)
- Executive Director of Resources
- Head of Planning, Performance and Partnerships
- Practice Director, nplaw (Monitoring Officer)
- Head of Democratic Services
- Acting Head of HR
- Head of Programme Office
- Director of Integrated Commissioning
- Chief Fire Officer, and
- Finance Director NORSE.

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 Resources
Executive Director of Finance
Executive Director of Children's Services

Appendix 1

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

HES

- Annual review/inspection of the Historic Environment Service in terms of its status as a Registered Organisation by the Chartered Institute for Archaeologists, the body responsible for professional standards in archaeology. Inspectors recommended improved recording of informal in-house training and encouraging greater Chartered Institute for Archaeologists membership amongst staff, both of which are being addressed.

Norfolk Museums Service

- Norfolk Museums Service's 10 museums are subject to regular, periodic review as part of the national Accreditation scheme. The Accreditation scheme is managed by Arts Council England and assesses many aspects of a museums' governance, operation, financial resilience, learning programmes and collections management. Seven of the Norfolk Museums were assessed in 2015/16 and the remaining three will be assessed in 2016/17. All seven passed their Accreditation assessment with no issues identified.

Fleet

- External fleet audit carried out by Mouchel.

Laboratories / Highways

- Annual audits by the United Kingdom Accreditation Service (UKAS), as the UK National Accreditation Body, to confirm that the laboratories - both the Highways Testing laboratory and the Trading Standards Calibration laboratory - are meeting the standards required to maintain their accreditation status.

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

Fast Lane Training Service (FLTS)

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

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

The LGO also review a number of complaints cases where they are referred to them by customers– we have not had any judgements overturned for FY 15/16.

Planning

The East of England Aggregates Working Party, provides “technical Advice” on our Aggregates Annual monitoring report, Including the local aggregates assessment. The review of our 2015 was considered in January 2016.

Trading Standards

External assessment by an ISO9001 certification body of the Trading Standards calibration and verification service is performed annually and during 2015/16 certification was maintained; following confirmation that the requirements of standards and regulations are met on a continuing basis.

Annual assessment by the United Kingdom Accreditation Service (UKAS), as the UK National Accreditation Body, to confirm that the Trading Standards Calibration laboratory is meeting the standards required to maintain its accreditation status. Assessment performed by UKAS during 2015/16; the auditors were extremely complimentary of the services provided and confirmed that compliance is being achieved on a continuing basis and therefore accreditation was maintained.

Resilience

- Health & Safety Executive (HSE) annual oversight of NCC’s discharge of responsibilities under COMAH Regulations.
- Environment Agency (EA) review and approval of Norfolk Tactical Flood Plan, June 2015
- NHS Emergency Preparedness, Resilience and Response (EPRR) Assurance Framework, 2015

<u>**Accreditations:**</u>

Norfolk Biodiversity Information Service - part of the Environment Team – were accredited By the Association of Local Environmental Records Centres.

Norfolk County Council

Statement of Accounts

2015-16

www.norfolk.gov.uk

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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 last election was in May 2013, and no one party had overall control through 2015-16.

In May 2014, the Council moved from a Cabinet system to a Committee structure, and 2015-16 was the first full year under this system where decisions are made by all-party committees. There is no executive/scrutiny split. Committees, whose membership reflects the overall political makeup of the Council, debate, challenge and make decisions. The five service committees are Adult Social Care, Children's, Communities, Environment Development and Transport, and Policy and Resources, supported by sub- and specialist committees.

The Council has a clear strategy for the future called Reimagining Norfolk, a key part of which has been a continued focus on four priorities:

- Excellence in education – working for a well-educated Norfolk where people are prepared for real jobs with good wages and prospects
- Real jobs – making Norfolk a place where businesses are able to succeed and grow
- Improving infrastructure – improving transport and technology infrastructure to make Norfolk a great place to do business
- Supporting vulnerable people – including helping people earlier before their problems get too serious

The following section looks at progress within each of these priority areas.

Excellence in education

Norfolk is the most improved local authority compared to both the statistical neighbour group and regional neighbours in terms of the proportion of schools judged "good" or "outstanding": 86% of primary schools (up from

60% in 2013) and 75% of secondary schools (up from 47% in 2013). The Norfolk average is now the same as the national average at 85% (from 8% below the national average in 2013).

Exam results for looked after children in Norfolk have improved significantly - 26% of children in the Council's care (for six months or more) achieved five A*-C grades at GCSE, 10% above the national average for looked after children.

Fewer young people are NOT in education, employment or training – down from 5.9% in 2013 to 4.2% in December 2015 which is now in line with the national average.

Adult Education is undergoing a rigorous transformation to become Norfolk Community Learning Services. The refreshed service focuses on the needs and aspirations of communities and individual learners, helping people maximise their potential and get back into learning. The new service was launched in May, ready for the 2016-17 programme starting in September 2016.

Real jobs

The Council works closely with New Anglia LEP on key sectors and priority locations, in order to grow the Norfolk economy and tackle issues of low wages/low skills. An outcome of this has been four new Enterprise Zones in Norfolk - Norwich Research Park, Scottow Enterprise Park, Egmere Business Zone and the Nar Ouse Business Park.

The LEP has offered a £3m contribution to a new Aviation Academy which will provide many new places for engineering and other aviation careers, as well as academic and practical courses, and is likely to be the first facility of its kind in the world.

Norfolk County Council has been the Managing Authority for the France (Channel) England programme throughout 2015-16. The programme manages over €200m of European Regional Development Funds (ERDF). There have been three calls for projects during the year, and 15 applications have been approved to progress to the second application phase with a value of €40m.

Scottow Enterprise Park is now exceeding expectations in terms of income and development. Sixteen companies now operate out of the site employing 63 people (fte) and there continues to be strong interest from prospective tenants. Scottow is also home to one of the UK's biggest solar farms.

The Council has successfully bid to the European LEADER programme for more than £9m, which will go to projects all across the county. As well as supporting 303 projects, this funding aims to create another 337 jobs in the region, working on schemes that range from helping farms to diversify, nurturing new businesses, to lessening their environmental impact.

Improved infrastructure

The A47 Postwick Hub was completed in 2015-16. This major junction improvement at the eastern end of the A47 Norwich Southern Bypass was opened to traffic in December 2015, providing access to new business and housing developments in the area, as well as a connection to the Norwich Northern Distributor Road (NDR).

Work on the NDR started with site clearance in December 2015, with main construction underway at the end of the year. The road is due to open in February 2018.

The Council's contract with a local bus operator means passengers are getting better conditions and new buses with Wi-Fi, and improved sites. This is a product of a tendering exercise in 2015 which has resulted in Norfolk having the only park and ride in the country that doesn't require an ongoing subsidy from the taxpayer.

Over the last two years the Council's Better Broadband for Norfolk has more than doubled the number of homes in the county able to receive superfast broadband. In December 2015, phase one finished £9m under budget. The second phase is underway and well on the way to enabling 200,000 homes and businesses able to get better broadband because of the project.

Broadland District Council, Norwich City Council and South Norfolk Council have adopted and implemented their own Community Infrastructure Levy (CIL) schemes and agreed to pool a significant proportion of their CIL income. On 21 October 2015, an agreement including Norfolk County Council was signed to pool the CIL income (excluding the neighbourhood element and the proportion retained to cover administrative costs) to support the Greater Norwich Growth Board's Strategic Infrastructure Programme. Norfolk County Council, as the accountable body and in accordance with the agreement, established the Infrastructure Investment Fund from the CIL income it has received from each of the authorities. At 31st March 2016, the Infrastructure Investment Fund had a balance of £2.423m which will be used to support projects currently in progress, projects already approved but not yet started or future projects.

Supporting vulnerable people

Services for Looked after Children remains an areas of significant budget pressure but there have been some notable successes: The number of babies going into care is coming down as a result of increased early help support.

As a result of close working with Saffron Housing Association and the Borough Council of King's Lynn and West Norfolk, a new cluster of ten properties for people under 65 with disabilities was opened in May 2015 in King's Lynn.

Bowthorpe Care Village, an £18.9m dementia specialist care home and a housing with care scheme was completed during the year. The facility – which comprises an 80 bed dementia unit and 92 housing with care flats will improve the future of care for older people in Norwich. The scheme has been the result of close collaboration with the Council's subsidiary NorseCare, the Homes and Communities Agency, Saffron Housing and Norwich City Council.

Financial highlights

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2015-16 was £318.428m, representing the Council's share of Council Tax receivable during the year. The net budget remained unchanged throughout 2015-16

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 £0.052m was transferred to the General Fund.

The figures below reflect outcomes for the first full year of the service structure introduced on 1 December 2014. These results are based on the service and portfolio 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	239.314	3.168	1.3%
Children's Services	208.348	3.318	1.6%
Community and Environmental Services	157.978	(0.045)	0.0%
Resources	23.528	0.586	2.5%
Finance and Property	19.769	(0.063)	(0.3%)
Finance General	(330.509)	(7.016)	2.1%
Total	**318.428**	**(0.052)**	0.0%
Transfer to General Fund		**0.052**	

Service overspends and underspends

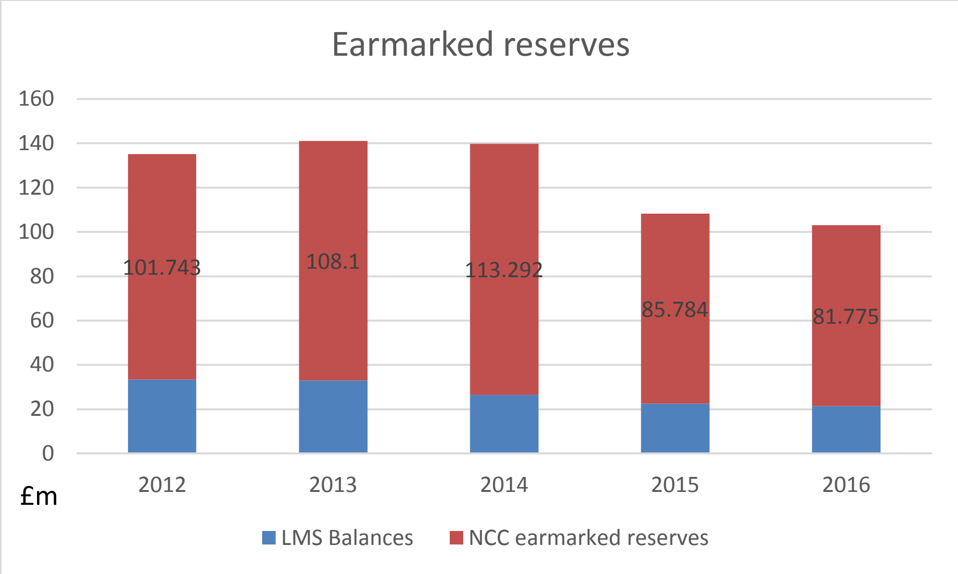
Within Adult Social Services, the forecast overspend is primarily due to the net cost of Services to Users (purchase of care) and costs associated with the delivery of this and other savings. Overspends have been significantly off-set by the use of new funding for implementing the Care Act.

The main area of overspend in Children's Services remains in the area of Looked After Children (LAC): the number of Looked After Children has not reduced as quickly as originally planned, with resulting financial pressures in agency residential, agency fostering and in-house fostering costs

Net overspends in the services above, after use of reserves, were more than off-set by underspends and additional income in Finance General. The largest underspends relate to the decision not to undertake any new borrowing in 2015-16, lower uptake than expected on the Local Assistance Scheme, and lower Minimum Revenue Provision (MRP) costs due to the re-profiling of capital expenditure and borrowing.

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. During 2014-15 there was a significant overall reduction in earmarked reserves, reflecting the Willows energy from waste settlement and general budgetary pressures. Overall, balances stabilised in 2015-16, but would have again decreased significantly had it not been for the creation of a new £10m Business Risk Reserve resulting from a change in the way the Council's MRP is calculated.



Although reserves reduced across services during the year, the largest reduction, amounting to £6m, was required to support Adult Social Care. Savings initiatives and new funding is in place to minimise future calls on reserves from this area.

General fund

The net outturn underspend for 2015-16 was transferred into the General Fund. As a result, the only movements in the general fund are as follows.

During 2015-16 movements on the General Fund balance were as follows:

	£m
General Balances 1 April 2015	**19.000**
Use of funds for one-off purposes: Increase in General Balances agreed as part of 2015-16 budget setting	0.200
Net underspend 2015-16	0.052
General Balances at 31 March 2016	**19.252**

Better Care fund The Better Care Fund (BCF) came into operation on 1 April 2015 for the 2015-16 financial year. To administer the fund, Clinical Commissioning Groups (CCGs) were required to establish joint arrangements with local authorities to operate a pooled budget for the joint delivery of more integrated health and social care. The Council is a partner in five pooled funds, with NHS CCGs covering Great Yarmouth and Waveney, South Norfolk, North Norfolk, West Norfolk and Norwich, with the funds operating under “section 75” framework partnership agreements. The Norfolk BCF budgets totalled more than £60m for 2015-16, with the aim of delivering integrated care and reablement services, services to reduce hospital admissions, and well-being and dementia diagnosis and support. The Council acts as host for the Funds, and also hosts an integrated equipment service used by all the partners.

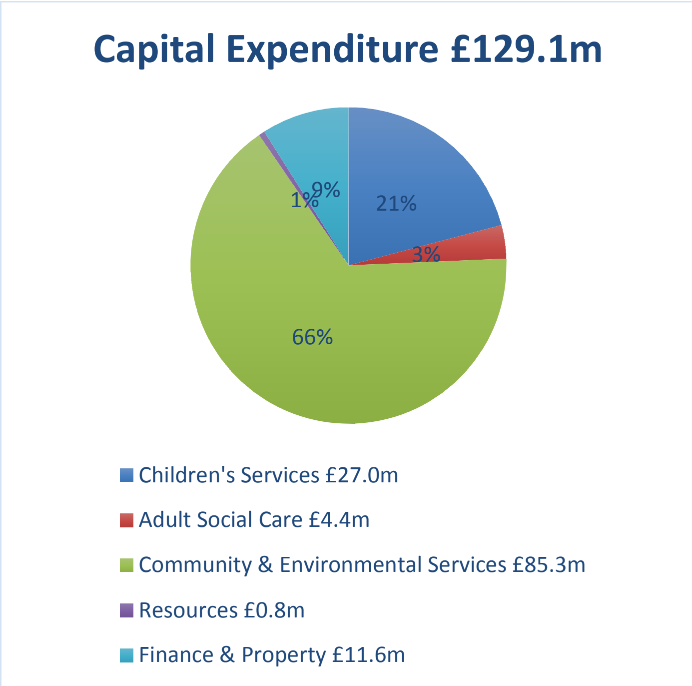
Capital Budget and Spending

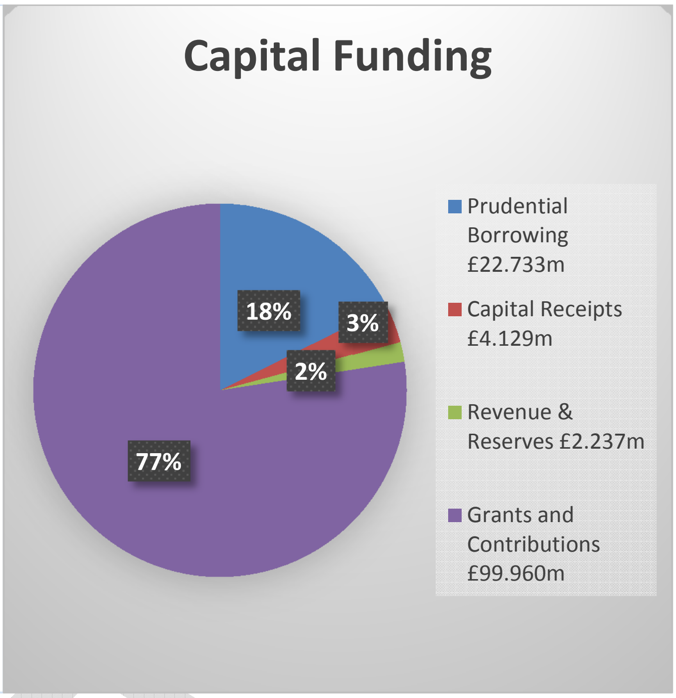
The County Council approved a capital budget in February 2015, with £210.5m related to 2015-16 and £228.4m to later years. Re-profiling from 2014-15 and subsequent funding announcements were added to the programme. After adjusting for items re-profiled into 2016-17, the final 2015-16 programme was £130.9m. Capital spending (including accrued expenditure) for 2015-16 amounted to £129.1m. The main sources of finance were grants and contributions, plus contributions from revenue and reserves. Borrowing requirements were met from internal sources during 2015-16 and amounted to £22.7m.

The Council achieved capital receipts totalling £1.9m from the sale of property and loan repayments. Of these receipts, all were used to fund capital expenditure.

Major projects in the programme included:

- The Norwich Northern Distributor Road, with construction starting in January 2016
- The A47 Postwick Hub, open to traffic in late 2015
- Schools: increased and improved permanent accommodation
- Highways and bridge maintenance schemes
- Continued Development of the Scottow Enterprise Park (former RAF Coltishall site)
- Better Broadband
- Near completion of a major refurbishment of County Hall.





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, with an average remaining term of 34 years and an average interest rate of 5.25%. At 31 March 2016, the Council's external borrowing totalled £488m of which £6m is due to be repaid within one year.

To put this in context, the depreciated balance sheet value of the Council's land, building, infrastructure and other property, plant and equipment is £1,530m.

Future capital programme

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

2016-20 capital programme by service	£m	2016-20 capital programme funding	£m
Children's Services	159.511	Prudential Borrowing	123.775
Adult Social Care	16.458	Capital Receipts	15.368
Community & Environmental Services	270.427	Revenue & Reserves	8.905
Resources	1.500	Grants and Contributions	349.568
Finance including corporate property	49.720		
Total	**497.616**	**Total**	**497.616**

The major on-going capital schemes are for improving the county's schools estate and transport infrastructure. The major scheme under construction is the Norwich Northern Distributor Road (NDR) for which £120m is included in the forward programme, including an additional £30m secured and committed in 2015-16.

As can be seen, the majority of capital expenditure is funded from grants and contributions from third parties – primarily central government, although a significant amount of prudential borrowing and capital receipts will be required to manage the funding of schemes such as the NDR.

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 £871m.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31 March 2016, 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 £27.4m compared to £27.3m at the start of the year. Provisions have not changed significantly during the year, with the largest being the Council's insurance provision (£12.8m), landfill provision (£9.1m) and bad debt provisions (£3.2m).

Outlook for the future

The council's revenue budget for 2016-17 has been produced in the context of a changing environment for local government finance and £115m of savings to be delivered in the period 2016-17 to 2019-20.

Changes in the government's methodology for distributing the Settlement Funding Assessment (SFA) in particular have signalled a fundamental shift in the government's policy on council tax. Whereas in previous years, the government has offered council tax freeze grant to encourage councils not to increase council tax, the distribution of funding now assumes that councils will raise council tax in line with inflation and, where available, will levy a new precept to fund adult social care.

In setting the budget for 2016-17, Norfolk County Council raised council tax by 3.99%, incorporating a 2% rise for the social care precept and a 1.99% increase in general council tax. This decision was driven by the council's priority to protect front line services, and taking account of the very significant pressures faced in social care and other areas of the budget. These include increased costs from national policies such as the National Living Wage and changes to National Insurance.

The final Local Government Finance Settlement in February 2016 confirmed expected reductions in government funding, with Norfolk County Council receiving a 12.9% reduction in its Settlement Funding Assessment (Revenue Support Grant and Business Rates) for 2016-17, compared to the adjusted 2015-16 figures. The Council continues to anticipate that Revenue Support Grant will cease by 2019-20, and awaits the Government's plans for the changes to business rates which will deliver this.

A key focus has been the development of a robust, deliverable budget for 2016-17. Critical front line budgets have been protected through the removal of saving proposals, including cancelling savings from Supporting People, Youth Work, and Fire Service budgets. Difficulties in delivering savings during 2015-16 have also been addressed in this process. Nonetheless, the savings to be delivered in the period 2016-17 to 2019-20 remains a fundamental challenge which will require significant engagement across the organisation. During 2016-17 the council will make use of additional Transition Funding and allocations of Rural Services Delivery Grant, announced late in the budget process to support invest to save projects which will help to ensure future budget plans can be achieved effectively.

The outcome of the 23 June EU Referendum will have consequences for many aspects of the Council's role and functions and for Norfolk as a whole. Those issues which are identified will be considered and closely monitored. In particular, "Brexit" presents a number of challenges and uncertainties for the Council's Investment Strategy, and to the Pension Fund. However, at the time of publishing it is too early to estimate the extent of any impact on the financial statements, as there is likely to be significant ongoing uncertainty while the UK renegotiates its relationship with the EU and other nations. As a result the Authority has not identified any specific consequences that will impact on these financial statements.

Management of Risk

As part of the overall development of a performance management framework for the Council, a new approach to corporate risk management has been adopted. Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated. 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 2015-16.

Future material accounting changes – Highways Network Asset

A change in accounting policy will be required for 2016-17 by the CIPFA Code of Practice on the Highways Network Asset (2016 Edition). This will require highways network assets (listed in the table below) to be recognised as a separate class of Property, Plant and Equipment. Infrastructure assets are currently measured at depreciated historic cost. The highways network asset will in future be measured at depreciated replacement cost and will be transferred between asset categories. This is likely to result in a material revaluation gain to reflect the new current cost of asset replacement, rather than the original cost of works. If the changes had been implemented in 2015-16, based on current estimates, the value of infrastructure assets would increase from £0.7bn to approximately £13bn.

HNA component	**Estimated NBV of HNA assets at 1 April 2016 under 2016-17 revised accounting policy**
	£bn
Carriageways	7.6
Footways and cycle tracks	0.3
Structures	0.4
Street lighting	0.1
Street furniture	n/m
Traffic management systems	n/m
Associated land	4.2
Total	**12.6**

As well as a material increase in balance sheet values to the values in the table above, there will be an increase in depreciation proportionate to the value of non-land components.

Explanation of the financial statements

These financial statements for 2015-16 are set out in accordance with the **Code of Practice on Local Authority Accounting in the United Kingdom 2015-16: 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

• Movement in Reserves Statement

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

• Comprehensive Income & Expenditure Statement

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

• Balance Sheet

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

• Cash Flow Statement

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

2.Notes to the Accounts

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

3.Supplementary Statements

The accounts contain two supplementary statements:

• Fire fighters Pension Fund Accounts

• Pension Fund Accounts – this section summarises the revenue and investment transactions of the Norfolk Pension Fund for 2015-16 and its financial position at 31 March 2016.

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 2015-16.

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

- With turnover of over £320m, 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 110 to 153. Copies of the full annual report for the pension fund are available from the Executive Director of Finance, 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, Simon George, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Further information relating to this foreword can be found in the financial statements which follow, in Norfolk County Council's Budget Book 2016-20 https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/our-budget/our-budget and in the Norfolk Leader's Annual Review 2015-16 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;
- 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's Responsibilities

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

In preparing this Statement of Accounts, the Executive Director of Finance has:

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

The Executive Director of Finance has also:

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

Certificate by the Executive Director of Finance

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Simon George
Executive Director of Finance
Date: [27] September 2016

I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 22 September and has been re-signed as authorisation to issue.

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Date: [27] September 2016

Independent Auditors' Report to the Members of Norfolk County Council

Once given, the audit opinion will be inserted here.

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Movement in Reserves Statement

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2014	**17,288**	**139,809**	**1,755**	**79,741**	**238,593**	**79,063**	**317,656**
Movement in Reserves during 2014-15							
Surplus / (Deficit) on provision of services	(88,569)	0	0	0	(88,569)	0	**(88,569)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	(175,176)	**(175,176)**
Total Comprehensive Expenditure and Income	(88,569)	**0**	**0**	**0**	(88,569)	(175,176)	**(263,745)**
Adjustments between accounting basis & funding basis under regulations (note 7)	58,801	0	1,499	11,223	71,523	(71,523)	**0**
Net Increase / (Decrease) before transfers to reserves	**(29,768)**	**0**	**1,499**	**11,223**	**(17,046)**	**(246,699)**	**(263,745)**
Transfers to/from Earmarked Reserves (note 0)	31,480	(31,480)	0	0	0	0	**0**
Increase / (Decrease) in Year	**1,712**	**(31,480)**	**1,499**	**11,223**	**(17,046)**	**(246,699)**	**(263,745)**
Balance at 31 March 2015	**19,000**	**108,329**	**3,254**	**90,964**	**221,547**	**(167,636)**	**53,911**
Movement in Reserves during 2015-16							
Surplus / (Deficit) on provision of services	(74,352)	0	0	0	(74,352)	0	**(74,352)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	281,994	**281,994**
Total Comprehensive Expenditure and Income	**(74,352)**	**0**	**0**	**0**	**(74,352)**	**281,994**	**207,642**
Adjustments between accounting basis & funding basis under regulations (note 7)	69,383	0	(1,677)	1,756	69,462	(69,462)	**0**
Net Increase / (Decrease) before transfers to reserves	**(4,969)**	**0**	**(1,677)**	**1,756**	**(4,890)**	**212,532**	**207,642**
Transfers to/from Earmarked Reserves (note 0)	5,221	(5,221)	0	0	0	0	**0**
Increase / (Decrease) in Year	**252**	**(5,221)**	**(1,677)**	**1,756**	**(4,890)**	**212,532**	**207,642**
Balance at 31 March 2016	**19,252**	**103,108**	**1,577**	**92,720**	**216,657**	**44,896**	**261,553**

Comprehensive Income and Expenditure Statement

	2014-15 Gross Expenditure	2014-15 Income	2014-15 Net Expenditure	2015-16 Gross Expenditure	2015-16 Income	2015-16 Net Expenditure
	£000s	£000s	£000s	£000s	£000s	£000s
Continuing Services:						
Adult Social Care	407,026	106,183	300,843	401,345	120,585	280,760
Central Services to the Public	4,067	1,949	2,118	4,115	2,115	2,000
Children's and Education Services	646,706	454,624	192,082	622,607	427,965	194,642
Cultural and Related Services	28,842	8,416	20,426	24,425	9,024	15,401
Environmental and Regulatory Services	49,500	5,115	44,385	48,864	5,104	43,760
Fire and Rescue Services	35,852	2,312	33,540	29,752	1,940	27,812
Highways and Transport Services	92,726	17,337	75,389	90,482	15,343	75,139
Planning Services	16,054	11,182	4,872	12,730	6,952	5,778
Public Health	31,067	33,469	(2,402)	39,456	38,298	1,158
Corporate and Democratic Core	3,623	0	3,623	3,551	24	3,527
Non Distributed Costs	(7,894)	0	(7,894)	(3,596)	0	(3,596)
Cost of Services	**1,307,569**	**640,587**	**666,982**	**1,273,731**	**627,350**	**646,381**
Other Operating Expenditure (Note 0)			109,013			87,985
Financing and Investment Income and Expenditure (Note 10)			65,978			64,046
Taxation and Non-Specific Grant Income (Note 11)			(753,404)			(724,060)
(Surplus) / Deficit on Provision of Services			**88,569**			**74,352**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(14,737)			(20,522)
Re-measurements of the net defined benefit liability			189,913			(261,472)
Other Comprehensive Income and Expenditure			**175,176**			**(281,994)**
Total Comprehensive Income and Expenditure			**263,745**			**(207,642)**

Balance Sheet

	Note	31 March 2015 £000s	31 March 2016 £000s
Property, Plant & Equipment	0	1,526,710	1,530,024
Heritage Assets	0	5,771	5,978
Investment Property	14	28,621	23,705
Intangible Assets		352	293
Long Term Investments	0	13,395	13,279
Long Term Debtors	0	12,947	21,996
Long Term Assets		**1,587,796**	**1,595,275**
Short Term Investments	0	114,745	125,876
Inventories		488	485
Short Term Debtors	0	122,340	109,881
Cash and Cash Equivalents	17	64,001	51,298
Assets Held for Sale	18	1,390	1,110
Current Assets		**302,964**	**288,650**
Short Term Borrowing	0	(12,887)	(12,305)
Other Short Term Liabilities	0	(2,750)	(2,295)
Short Term Creditors	0	(128,526)	(138,511)
Provisions	20	(6,698)	(6,101)
Current Liabilities		**(150,861)**	**(159,212)**
Provisions	20	(20,622)	(21,290)
Long Term Borrowing	0	(490,181)	(483,984)
Other Long Term Liabilities	0	(1,146,230)	(928,401)
Capital Grants Receipts in Advance	31	(28,955)	(29,485)
Long Term Liabilities		**(1,685,988)**	**(1,463,160)**
Net Assets		**53,911**	**261,553**
Usable Reserves	21	221,547	216,657
Unusable Reserves	22	(167,636)	44,896
Total Reserves		**53,911**	**261,553**

Cash Flow Statement

	31 March 2015 £000s	31 March 2016 £000s
Net (surplus) or deficit on the provision of services	**88,569**	**74,352**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(185,474)	(205,787)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	113,397	103,739
Net cash flows from Operating Activities (note i)	16,492	(27,696)
Investing Activities (note ii)	(42,439)	30,992
Financing Activities (note iii)	11,443	9,407
Net (increase) or decrease in cash and cash equivalents	**(14,504)**	**12,703**
Cash and cash equivalents at the start of the year	**49,497**	**64,001**
Cash and cash equivalents at the end of the year (note 17)	**64,001**	**51,298**

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:

	2014-15 £000s	2015-16 £000s
Depreciation	(49,749)	(48,580)
Impairment and downward valuations	939	(282)
Increase/(decrease) in creditors	7,567	(11,669)
(Increase)/decrease in debtors	43	(9,214)
Movement in Pension Liability	(29,666)	(45,937)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(116,531)	(88,481)
Other non-cash items charged to the net surplus or deficit on the provision of services	1,923	(1,624)
	(185,474)	**(205,787)**

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

	2014-15 £000s	2015-16 £000s
Interest received	(2,260)	(1,950)
Interest paid	33,474	32,526

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

	2014-15 £000s	2015-16 £000s
Capital grants credited to the deficit on the provision of services	110,950	101,768
Proceeds from the sale of property, plant and equipment	11,558	2,087
Other items for which the cash effects are investing or financing activities	(9,111)	(116)
	113,397	**103,739**

ii. Investing Activities

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

	2014-15 £000s	2015-16 £000s
Purchase of property, plant and equipment, investment property and intangible assets	112,693	110,042
Purchase of short term and long term investments	0	12,000
Other payments for investing activities	5,598	11,635
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,108)	(2,630)
Proceeds from short and long term investments	(38,674)	0
Other receipts from investing activities	(110,948)	(100,055)
Net cash flows from investing activities	**(42,439)**	**30,992**

iii. Financing Activities

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

	2014-15 £000s	2015-16 £000s
Cash receipts of short term and long term borrowing	(299)	(111)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,549	2,749
Repayments of short term and long term borrowing	9,193	6,769
Net cash flows from financing activities	**11,443**	**9,407**

Notes to the Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. 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 2015-16 (the Code) and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the Local Government Act 2003.

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

1.2 Accounting Principles

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

Since April 2009, the amount of council tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. From April 2013, business rates have been accounted for on the same basis. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required to be credited to the General Fund under statute is taken to the Collection fund Adjustment Account included as a reconciling item through the Movement in Reserves Statement so that there is no net charge against council tax for the adjustment. The Council's share of council tax debtors and creditors and business ratepayers arrears, overpayments and prepayments and appeals are included in the debtor and creditor totals in the Balance Sheet.

1.8 Employee Benefits

Benefits payable during employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

(ii) Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bonds, as derived from a Corporate Bond yield curve constructed from yields on high quality bonds (constituents of the Iboxx Sterling Corporates AA). The discount rate recognises the weighted average duration of the benefit obligation as determined by the most recent actuarial valuation.

(iii) The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

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

- Service Cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest expense – the change during the period in the defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the defined benefit liability – charges to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charges to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Fire Fighters Pension Scheme

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

Discretionary Benefits

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

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

1.9 Events after the Balance Sheet Date

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

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

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

1.10 Fair Value Measurement

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

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

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

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

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

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

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

1.11 Financial Instruments

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available for Sale Assets

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

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

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

The inputs to the measurement techniques are categorised in accordance with note 1.10 Fair Value Measurement.

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

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

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

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

Instruments entered into before 1 April 2006

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

Instruments entered into before 8 November 2007

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

Financial Liabilities

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

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

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

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

1.12 Foreign currency translation

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

1.13 Government Grants and Other Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

1.14 Heritage Assets

Recognition

Assets will be recognised in the Balance Sheet as Heritage Assets where they are held principally to increase the knowledge, understanding and appreciation of the local area and its history. The recognition of Heritage

Assets will be consistent with the Council's Property, Plant and Equipment policy, including a de minimis for recognition of £40,000.

Apart from Heritage Assets previously accounted for as Community Assets, Heritage Assets acquired before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost effective basis. Assets meeting the above definition and obtained since 1 April 2010 are capitalised on the Balance Sheet under Heritage Assets.

Measurement

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

Subsequent to initial recognition and measurement, Heritage Assets will be revalued where appropriate.

Impairment

The carrying amounts of Heritage Assets will be reviewed where there is evidence of impairment and these will be accounted for in accordance to the Council's policy on Property, Plant and Equipment.

Depreciation

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

Disposals

Disposals of Heritage Assets will be treated in accordance with the general policies on Property, Plant and Equipment, and in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

1.15 Intangible Assets

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

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

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

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

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

1.16 Interests in Companies and Other Entities

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

1.17 Inventories and long term contracts

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

1.18 Investment Property

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

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

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

1.19 Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint venture or a joint operation.

a) Joint Venture

Joint ventures are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint venturers have rights to the net assets of the arrangement. A joint venturer recognizes its interest in a joint venture as an investment and, where material, consolidates the investment into its Group Accounts using the equity method.

b) Joint Operation

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

1.20 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

<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. At the end of the financial year, the costs of the central departments are analysed, in accordance with the principles of the CIPFA Service Reporting Code of Practice (SeRCOP), to determine what costs should be shared between users of the services, with the exception of:

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

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

1.22 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.

Recognition

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. Accounting Standards issued, not adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (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.

There are a number of minor amendments to and as a result of International Financial Reporting Standards. If these had been adopted for the financial year 2015-16 there would be no material changes to the financial statements.

A change in accounting policy required for 2016-17 by the CIPFA Code of Practice on Transport Infrastructure Assets will require transport infrastructure assets (including carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and associated land) to be recognised as a separate class of Property, Plant and Equipment. Infrastructure assets are currently measured at depreciated historic cost. The transport infrastructure asset will in future be measured at depreciated replacement cost which will result in a significant revaluation gain. If the changes had been implemented in 2015-16, based on current estimates the value of infrastructure assets would increase from £0.7bn to approximately £13bn with a proportionate increase in depreciation.

3. Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the three operational PFI agreements (Norwich Schools, Salt Barns and Street Lighting) and also to control the residual value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the operational assets (valued at £46.6m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- In line with the Code of Practice and IFRS10 the Council has considered schools as separate entities for control purposes. For those schools under the control of the Council, the expenditure, income assets, liabilities, reserves and cash flow for those schools are included in the Council's single entity accounts.

  Therefore, as detailed in Note 0

- Property, Plant and Equipment, the Council continues to recognise Community and Voluntary Controlled schools assets, along with playing fields for VA schools, on the Balance Sheet for 2015-16, 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.

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for the buildings would increase by £2.5m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension 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 £221.283m. However, the assumptions interact in complex ways. During 2015-16, the Council's actuaries advised that the net pension liability had decreased by £261.472m.
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	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.

undertaken by NPS Property Consultants Limited).

Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 0 below.

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

5. Material Items of Income and Expense

During 2015-16, 23 schools transferred to Academy, Voluntary Aided and Foundation status. The assets relating to these schools have been removed from the Council's balance sheet. The value written off amounts to £32.752m and the net loss on disposal of these assets (£34.057m) is the main reason for the total shown in note 0 to the accounts.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director of Finance on 29 June 2016. 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 2016, the figures in the financial statements and note have been adjusted in all material respects to reflect the impact of this information.

Schools transferring to Academy Status

Between 1 April 2016 and 30 September 2016 17 schools, (listed below), with a net book value of £49.393m converted to academy status.

Henderson Green CP School
Walpole Cross Keys CP School
St Augustines RCVA School
St Mary and St Peter Catholic Primary School
St Francis of Assisi Catholic Primary School
Rudham CE Primary School
Heacham Junior School
Valley Primary School
Old Buckenham Primary School
Weasenham VC Primary School
Reepham Primary School
Glebeland Toftmonks Primary
Thorpe St Andrew High School and Sixth Form
Hillside Primary and Nursery School
Dussindale Primary School
Firside Junior School
Cawston VC Primary School

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 2016-17 and will be treated as a disposal at nil consideration in the 2016-17 consolidated Income and Expenditure Statement.

EU Referendum

Following the United Kingdom's vote to leave the European Union (EU) in the EU referendum on 23 June 2016 there has been an increased level of volatility in the financial markets and macroeconomic uncertainty in the UK. The immediate volatility is expected to continue into the medium term.

The Council's Investment Strategy for 2016-17, approved by full Council at its meeting on 22 February 2016 takes the same cautious approach as that of recent years and seeks to protect the Council's principal at the potential expense of yield income. The risks of impairment to the authority's current investments are outlined in Note 40, and the current strategy will be under constant review.

Given the expected volatility in financial markets it is foreseen that there may be a risk to the valuation of the Council's defined benefit pension obligation. Details of factors influencing the value of the pension fund are given in Note 37. Despite the uncertainty in the aftermath of the vote, major investment market returns measured from 31 March and into the summer period have been positive and the Fund continues to be a diversified long term investor.

It is too early to estimate the extent of any impact on the financial statements, as there is likely to be significant ongoing uncertainty for several months while the UK renegotiates its relationship with the EU and other nations. For the purposes of these financial statements, the EU Referendum result is considered to be a non-adjusting event.

7. 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.

2015-16	**Usable Reserves**		
	General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**
	£000s	**£000s**	**£000s**
Adjustments to Revenue Resources:			
Pension Costs (transferred to/from the Pension Reserve)	45,937		
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	16		
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	516		
Holiday Pay (transferred to the Accumulated Absences Reserve)	(5,405)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	49,801		22,542
Total Adjustment to Revenue Resources	**90,865**	**0**	**22,542**
Adjustments between Revenue and Capital Resources:			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,087)	2,087	
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)	66	(66)	
Statutory provision for the repayment of debt	(15,173)		

2015-16	Usable Reserves		
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account
	£000s	£000s	£000s
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(4,288)		
Total Adjustments between Revenue and Capital Resources	**(21,482)**	**2,021**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts reserve to finance capital expenditure		(3,754)	
Long term debtor repayments in year		56	
Application of capital grants to finance capital expenditure			(20,786)
Total Adjustments to Capital Resources	**0**	**(3,698)**	**(20,786)**
Total Adjustments in 2015-16	**69,383**	**(1,677)**	**1,756**

2014-15	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)	29,666		
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	18		
Council Tax and NDR (transfers to and from Collection Fund Adjustment Account)	(4,439)		
Holiday Pay (transferred to the Accumulated Absences Reserve)	(1,241)		
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):	79,064		33,565
Total Adjustment to Revenue Resources	**103,068**	**0**	**33,565**
Adjustments between Revenue and Capital Resources:			
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	(9,185)	9,185	
Administrative costs of non current asset disposals (funded by a contribution from the Capital Receipts Reserve)	246	(246)	
Statutory provision for the repayment of debt	(26,243)		

2014-15

	Usable Reserves		
	General Fund	**Capital Receipts Reserve**	**Capital Grants Unapplied Account**
	£000s	**£000s**	**£000s**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,085)		
Total Adjustments between Revenue and Capital Resources	**(44,267)**	**8,939**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts reserve to finance capital expenditure		(9,813)	
Long term debtor repayments in year		2,373	
Application of capital grants to finance capital expenditure			(22,342)
Total Adjustments to Capital Resources	**0**	**(7,440)**	**(22,342)**
Total Adjustments in 2014-15	**58,801**	**1,499**	**11,223**

8. 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 2015 or 31 March 2016. Descriptions of each of these earmarked reserves follow the table.

	Balance at 31 March 2014	Transfers in 2014-15	Transfers out 2014-15	Balance at 31 March 2015	Transfers in 2015-16	Transfers out 2015-16	Balance at 31 March 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LMS Balances	26,517	26,346	(30,318)	22,545	23,877	(25,088)	21,334
Adult Social Services Residential Review	3,024	0	(746)	2,278	0	(2,278)	0
Building Maintenance	3,903	2,082	(1,513)	4,472	1,651	(2,576)	3,547
Business Risk Reserve	0	0	0	0	10,678	0	10,678
Children's Services Equalisation	249	406	0	655	101	0	756
Economic Development and Tourism	4,215	367	(1,034)	3,548	1,358	(2,079)	2,827
Fire Operational Equipment	966	0	(393)	573	343	(358)	558
Fire Retained Turnout Payments	542	0	0	542	380	(441)	481
Highways Maintenance	4,625	868	(273)	5,220	2,541	(1,890)	5,871
Icelandic Banks	2,444	0	(1,803)	641	4,702	(5,165)	178
Information Technology	10,226	9,649	(11,854)	8,021	448	(2,613)	5,856
Insurance Reserve	26	2,001	0	2,027	2,062	(1,006)	3,083
Norfolk Infrastructure Fund	2,015	885	(2,476)	424	958	(278)	1,104
Norwich Schools PFI Sinking Fund	2,062	55	0	2,117	232	0	2,349
Ofsted Improvement Fund	1,741	475	(1,656)	560	0	(70)	490
Organisational Change and Redundancy Reserve	5,605	6,330	(4,650)	7,285	782	(1,223)	6,844
Prevention Fund	1,141	0	(401)	740	70	(487)	323
Repairs and Renewals Fund	4,550	821	(1,595)	3,776	886	(1,212)	3,450
Schools Contingency	9,315	1,506	(632)	10,189	222	(4,864)	5,547
Schools Non-Teaching Activities	1,169	1,478	(1,292)	1,355	1,030	(1,452)	933
Schools Sickness Insurance	1,284	27	(157)	1,154	119	0	1,273
Strategic Ambitions Reserve	1,147	27	(76)	1,098	0	(127)	971
Street Lighting PFI Sinking Fund	7,041	4,148	(3,891)	7,298	3,467	(3,820)	6,945
Unspent Grants and Contributions	12,826	8,900	(3,655)	18,071	3,887	(7,438)	14,520
Waste Management Partnership	397	325	0	722	401	(65)	1,058
Other earmarked reserves	32,779	16,438	(46,199)	3,018	206	(1,092)	2,132

	Balance at 31 March 2014	Transfers in 2014-15	Transfers out 2014-15	Balance at 31 March 2015	Transfers in 2015-16	Transfers out 2015-16	Balance at 31 March 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
TOTAL	**139,809**	**83,134**	**(114,614)**	**108,329**	**60,401**	**(65,622)**	**103,108**

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 Services Residential Review

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

Business Risk Reserve

A new Business Risk reserve, funded from a change in MRP policy, was set up as part of the Council's 2016-17 budget planning. This reserve will be used to manage key funding risks, particularly in Adults' and Children's Social Care budgets

Building Maintenance

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

Children Service's Equalisation

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

Economic Development and Tourism

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

Fire Operational Equipment Reserve

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

Fire Retained Turnout Payments Reserve

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

Highways Maintenance

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

Icelandic Banks

This is to provide for potential additional Icelandic Bank losses.

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.

Ofsted Improvement Fund

This reserve represents a package of financial support earmarked for strengthening safeguarding services and school improvement.

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 Contingency

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

Schools Non-Teaching Activities

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

Schools Sickness Insurance

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

Strategic Ambitions Reserve

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

Street Lighting PFI Sinking Fund

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

Unspent Grants and Contributions Reserve

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

Waste Management Partnership

This reserve is for waste management initiatives.

Other Earmarked Reserves

These mainly comprise various reserves held in respect of initiatives commenced in previous years for which remaining planned financial provision will be utilised in 2015-16 or future years as initiatives are completed. All balances on these reserves as at 31 March 2015 and 31 March 2016 are below £0.5m.

9. Comprehensive Income and Expenditure Statement: Other Operating Expenditure

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

	2014-15 £000s	2015-16 £000s
Environment Agency precept	711	740
Eastern Sea Fisheries precept	536	536
(Gains)/losses on disposal of non current assets	107,766	86,709
Total	**109,013**	**87,985**

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

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

	2014-15 £000s	2015-16 £000s
Interest payable and similar charges	33,292	32,592
Net interest cost on the net defined benefit liability	37,027	34,964
Interest receivable and similar income	(1,981)	(1,930)
Income and expenditure in relation to investment properties and / or changes in their fair value (note 14)	(291)	(487)
Dividend Income	(1,908)	(923)
Gains on trading accounts not included in the cost of services (note 24)	(161)	(170)
Total	**65,978**	**64,046**

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

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

	2014-15 £000s	2015-16 £000s
Council tax income	313,005	317,466
Non domestic rates	138,138	140,212
Non ring fenced government grants	200,335	172,216
Capital grants, contributions and donated assets	101,926	94,166
Total	**753,404**	**724,060**

12. Property, Plant and Equipment

Movements in 2015-16 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 2015	795,591	70,950	832,852	1	127,204	19,876	1,846,474	50,202
Additions	5,342	2,781	50,375	0	49,778	0	108,276	0
Revaluation increases/(decreases):								
- to Revaluation reserve	14,730	0	0	0	0	3,197	17,927	(578)
- to surplus or deficit on provision of services	2,222	0	0	0	0	(2,143)	79	1,010
Derecognition - disposals	(88,116)	(15,455)		(1)	(20)	(202)	(103,794)	0
Assets reclassified (to)/from Assets Held for Sale	52	0	0	0	0	(1,266)	(1,214)	0
Reclassifications and transfers	70,712	33	29,486	0	(89,823)	(3,948)	6,460	68
At 31 March 2016	**800,533**	**58,309**	**912,713**	**0**	**87,139**	**15,514**	**1,874,208**	**50,702**
Accumulated Depreciation and Impairment								
At 1 April 2015	56,209	42,748	211,156	0	0	9,651	319,764	3,401
Depreciation charge	18,679	7,384	22,438	0	0	80	48,581	1,073
Depreciation written out to Revaluation reserve	(2,330)	0	0	0	0	(48)	(2,378)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,646)	0	0	0	0	(219)	(6,865)	(416)
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	126	0	0	0	0	0	126	0
- the surplus or deficit on provision of services	1,867	0	0	0	0	0	1,867	57
Derecognition - disposals	(2,121)	(14,777)	0	0	0	(13)	(16,911)	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	0	0	0
Reclassifications and transfers	227	1	(25)	0	0	(203)	0	11
At 31 March 2016	**66,011**	**35,356**	**233,569**	**0**	**0**	**9,248**	**344,184**	**4,126**
Net Book Value:								
At 31 March 2016	**734,522**	**22,953**	**679,144**	**0**	**87,139**	**6,266**	**1,530,024**	**46,576**
At 31 March 2015	739,382	28,202	621,696	1	127,204	10,225	1,526,710	46,801

Movements in 2014-15 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 2014	875,844	65,316	786,612	1	91,225	22,245	1,841,243	50,202
Additions	18,446	10,953	46,240	0	36,846	0	112,485	0
Revaluation increases/(decreases):								
- to Revaluation reserve	12,902	0	0	0	0	260	13,162	0
- to surplus or deficit on provision of services	3,625	0	0	0	0	(1,339)	2,286	0
Derecognition - disposals	(112,026)	(5,319)	0	0	(867)	0	(118,212)	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	(4,480)	(4,480)	0
Reclassifications and transfers	(3,200)	0	0	0	0	3,190	(10)	0
At 31 March 2015	**795,591**	**70,950**	**832,852**	**1**	**127,204**	**19,876**	**1,846,474**	**50,202**
Accumulated Depreciation and Impairment								
At 1 April 2014	41,827	38,216	189,743	0	0	9,798	279,584	2,438
Depreciation charge	19,776	8,204	21,415	0	0	353	49,748	963
Depreciation written out to Revaluation reserve	(1,148)	0	0	0	0	(80)	(1,228)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(2,664)	0	0	0	0	(415)	(3,079)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	(519)	0	0	0	0	0	(519)	0
- the surplus or deficit on provision of services	789	0	0	0	0	0	789	0
Derecognition - disposals	(1,832)	(3,667)	0	0	0	0	(5,499)	0
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	(24)	(24)	0
Reclassifications and transfers	(20)	(5)	(2)	0	0	19	(8)	0
At 31 March 2015	**56,209**	**42,748**	**211,156**	**0**	**0**	**9,651**	**319,764**	**3,401**
Net Book Value:								
At 31 March 2015	**739,382**	**28,202**	**621,696**	**1**	**127,204**	**10,225**	**1,526,710**	**46,801**
At 31 March 2014	834,017	27,100	596,869	1	91,225	12,447	1,561,659	47,764

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 £48.581m (£49.828m in 2014-15).

Capital commitments

The Council's forward capital programme as at 31 March 2016 totals £497.616m for the years 2016-17 to 2018-19 and beyond. Of this total £448.135m relates to the estimated future payments on schemes started before 31 March 2016, with the total of new schemes totalling £49.481m.

In comparison, the revised programme in 2014-15 totalled £529.747m for the years 2015-16 to 2017-18 and beyond. Of this total, £354.166m related to the estimated future payments on schemes started before 31 March 2015.

At 31 March 2016, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2016-17 and future years on schemes listed in the table below. Similar commitments at 31 March 2015 were £56.741m.

The major commitments are:

Service/Scheme	**Contract Completion**	**£000s**
Children's Services		
Queens Hill phase 2	2017-18	3,969
Drake Infant	2017-18	4,642
King's Lynn, St Martha's	2016-17	1,699
Southtown Infants Reorganisation	2017-18	1,714
Great Yarmouth Primary Academy	2016-17	1,553
Henderson Green Primary	2016-17	1,113
Resources		
Better Broadband	2017-18	30,767
Voice and data contract	2019-20	1,500
Finance and Property		
GNGB supported borrowing facility (see note below)	2020-21	4,500
		51,457

In addition to the above, three on-going contracts commenced 1 April 2014 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 2016-19 at 31 March 2016 was £203.2m, including £119.3m in respect of the Northern Distributor Road which received planning approvals during 2015-16. Within this sum is £17.2m allocated towards the purchase of land and property required for the development, including associated professional fees. Of this amount £4.5m has been accrued in 2015-16.

In January the Council approved a £20m capital "GNGB loan facility" to be used to support infrastructure projects. A loan agreement for £4.5m was signed in 2015-16 to support the construction of a new roundabout on the A146 near Loddon to service a development of 200 homes. Drawdown is expected in 2016-17 with re-payment due in 2020-21.

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	0	22,953	679,144	0	0
Valued at current value in:					
2015-16	246,416	0	0	0	6,266
2014-15	51,196	0	0	0	0
2013-14	353,117	0	0	0	0
2012-13	35,610	0	0	0	0
2011-12	48,183	0	0	0	0
Total	**734,522**	**22,953**	**679,144**	**0**	**6,266**

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.

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 2015-16, 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.

13. 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 2015	4,937	834	5,771
Revaluations	207	0	207
At 31 March 2016	**5,144**	**834**	**5,978**
Cost or valuation			
1 April 2014	5,282	834	6,116
Disposals	(345)	0	(345)
At 31 March 2015	**4,937**	**834**	**5,771**

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

(i) Windmills and Windpumps

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

Due to the unique nature of the windmills and windpumps, valuations for the purposes of the statement of accounts are based on insurance schedules for the assets. The carrying amounts are reviewed annually against the insurance schedules for these items and where there is a movement in the valuation, this is treated in accordance with the general policies on revaluation and impairment of assets set out in section 1.

The disposal shown above relates to the surrender of a lease on one windmill.

(ii) Other Heritage Assets

- Museums Collections

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

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

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

- Document and Archive Collections

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

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

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

- Sundry Other Heritage Assets

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

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

14. 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:

	2014-15 £000s	2015-16 £000s
Rental income from investment property	682	487
Direct operating expenses arising from investment property	(391)	0
Net gain/(loss)	**291**	**487**

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:

	2014-15 £000s	2015-16 £000s
Balance at the start of the year	**29,705**	**28,621**
Additions	0	0
Disposals	(404)	(104)
Net gains/(losses) from fair value investments	(708)	4,770
Transfers (to)/from Property, plant and equipment	10	(9,582)
Other changes	18	0
Balance at the end of the year	**28,621**	**23,705**

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.

The Council reviewed its investment property portfolio during the year and determined that £9.852mot the investment property assets meet the definition of property plant and equipment as they are not solely held for investment purposes. Of this, £0.358m has been declared surplus.

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 2016**
	£000s	**£000s**	**£000s**
Industrial estate	2,942	10,678	13,620
Agricultural land with development potential	0	10,085	10,085
	2,942	**20,763**	**23,705**

Of the net gains/(losses) from fair value investments in 2015-16, £4.375m relates to fair value measurements categorised within Level 3 of the fair value hierarchy.

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.

15. Financial Instruments

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

	Long Term		Current	
	31 March 2015	**31 March 2016**	**31 March 2015**	**31 March 2016**
	£000s	**£000s**	**£000s**	**£000s**
Investments:				
Loans and receivables	193	77	114,745	125,876
Available for sale financial assets	1,238	1,238	0	0
Total included in Investments	**1,431**	**1,315**	**114,745**	**125,876**
Debtors:				
Financial assets carried at contract amounts (excludes statutory debtors)	10,732	19,699	70,253	65,995
Soft Loans	2,215	2,297	610	581
Total included in Debtors	**12,947**	**21,996**	**70,863**	**66,576**
Cash and cash equivalents:				
Cash and cash equivalents	0	0	64,001	51,298
Total included in Cash and cash equivalents	**0**	**0**	**64,001**	**51,298**
Borrowings:				
Financial liabilities at amortised cost	490,181	483,984	12,887	12,305
Total included in Borrowings	**490,181**	**483,984**	**12,887**	**12,305**
Other Short/Long Term Liabilities:				
PFI liabilities	54,951	54,201	830	750
Finance lease liabilities	4,698	3,152	1,920	1,545
Total included in Other Short/Long Term Liabilities	**59,649**	**57,353**	**2,750**	**2,295**
Creditors:				
Financial assets carried at contract amounts (excludes statutory creditors)	0	0	90,246	104,873
Total included in Creditors	**0**	**0**	**90,246**	**104,873**

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

The loans and receivables total includes £178,000 which is the carrying value for the investment balances with Kaupthing Singer and Friedlander. Based on the current information and advice available, it is anticipated that £0.101m of the impaired total will be received during 2016-17 and this has been included in short term investments. The remaining balance of £0.077m is included within long term investments.

The available for sale assets are the Council's investments in Norwich Airport (£1.236m) and in two other companies associated with the Airport - Legislator 1656 and Legislator 1657 (£0.002m). Available for sale assets in the table above specifically excludes the Council's investment of £11.964m in Norse Group Ltd as the company is included in the Council's Group Accounts. None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

The soft loans represent the total of deferred payment agreements made prior to 1 April 2015 where residential care clients exercised their option to defer payment for services received by agreeing to a legal charge on property they own. No interest is charged against these deferred payments. The fair value shown includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%). From 1 April 2015 the Council created a Deferred Payments Scheme as required by the Care Act 2014. This scheme includes an interest charge at market rate, therefore any new agreements will not be soft loans.

The Council makes loans for car purchase to 69 employees in the authority who are in posts that require them to drive regularly on the Council's business. No Interest is charged on the loans but the Council assesses that an unsubsidised rate for such loans would have been 5.25%.

Income, Expense, Gains and Losses

	2014-15			2015-16		
	Financial Liabilities measured at amortised cost £000s	**Financial Assets: Fair value through the I&E £000s**	**Total £000s**	**Financial Liabilities measured at amortised cost £000s**	**Financial Assets: Fair value through the I&E £000s**	**Total £000s**
Interest expense	32,999	0	32,999	32,385	0	32,385
Impairment on (Icelandic Bank)	348	0	348	262	0	262
Discount received on debt restructuring	0	(55)	(55)	0	(55)	(55)
Total expense in Surplus/Deficit on the Provision of Services	33,347	(55)	33,292	32,647	(55)	32,592
Interest Income	0	(1,928)	(1,928)	0	(1,930)	(1,930)
Interest income accrued on impaired financial assets	0	(53)	(53)	0	0	0
Total income in Surplus/Deficit on the Provision of Services	0	(1,981)	(1,981)	0	(1,930)	(1,930)
Net gain/(loss) for the year	**33,347**	**(2,036)**	**31,311**	**32,647**	**(1,985)**	**30,662**

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 2015 Carrying amount £000s	31 March 2015 Fair value £000s	31 March 2016 Carrying amount £000s	31 March 2016 Fair value £000s
PWLB debt	451,498	705,330	444,998	700,313
Non PWLB debt	51,570	61,994	51,291	72,455
PFI and finance lease liabilities	62,399	114,531	59,648	162,864
Total	565,467	881,855	555,937	935,632

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 £700.313m measures the economic effect of the terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

Financial Assets	31 March 2015 Carrying amount £000s	31 March 2015 Fair value £000s	31 March 2016 Carrying amount £000s	31 March 2016 Fair value £000s
Loans and receivables:				
Investments	114,938	114,938	125,953	125,953
Available for sale - Norwich Airport shares	1,238	1,238	1,238	1,238
Cash and cash equivalents	64,001	64,001	51,298	51,298
Long term debtors	12,947	12,947	21,996	21,996
Short term debtors	70,863	70,863	66,576	66,576
Total	**263,987**	**263,987**	**267,061**	**267,061**

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.

16. 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 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Central Government bodies	0	0	15,201	9,482
Other local authorities	624	0	25,442	24,914
NHS bodies	0	0	11,602	12,649
Prepayments	0	0	16,183	15,480
Trade debtors, other entities and individuals	12,323	21,996	53,912	47,356
	12,947	**21,996**	**122,340**	**109,881**

17. Cash and Cash Equivalents

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

	31 March 2015 £000s	31 March 2016 £000s
Cash and Bank balances	2,874	(731)
Short term deposits with the Money Market	61,127	52,029
	64,001	**51,298**

18. Assets Held for Sale

Current Assets	2014-15 £000s	2015-16 £000s
Balance outstanding at start of year	**0**	**1,390**
Assets newly classified as held for sale:		
Property plant and equipment	4,479	1,266
Assets declassified as held for sale:		
Property plant and equipment	0	(53)
Assets sold	(3,065)	(1,493)
Other Movements	(24)	0
Balance outstanding at year end	**1,390**	**1,110**

Fair value hierarchy

All the Council's assets held for sale at 31 March 2016 have been assessed as Level 2 for valuation purposes, on the basis as set out for Investment Properties as described in note 14 above.

19. 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 2015 £000s	**31 March 2016 £000s**
Central Government bodies	12,377	13,205
Other local authorities	13,018	13,865
NHS bodies	4,178	6,677
Public Corporations and Trading Funds	144	0
Receipts in advance	1,882	2,191
Trade creditors, service providers, other entities and individuals	96,927	102,573
	128,526	**138,511**

20. 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**
Balance outstanding at the start of the year	13,100	9,132	835	4,253	27,320
Additional provisions made in 2015-16	3,704	1,147	422	817	6,090
Amounts used in 2015-16	(3,959)	(1,207)	(843)	0	(6,009)
Unused amounts reversed	0	0	(10)	0	(10)
Balance outstanding at the end of the year	**12,845**	**9,072**	**404**	**5,070**	**27,391**
Consists of:					
Current Provisions	1,312	0	404	4,385	6,101
Long Term Provisions	11,533	9,072	0	685	21,290
Total	**12,845**	**9,072**	**404**	**5,070**	**27,391**

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 (IBNR) to the Council.

Landfill

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

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.

21. Balance Sheet: Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in notes 7 and 0.

22. Balance Sheet: Unusable Reserves

	31 March 2015 £000s	31 March 2016 £000s
Revaluation Reserve	186,390	197,036
Capital Adjustment Account	739,071	720,549
Financial Instruments Adjustment Account	(2,744)	(2,760)
Collection Fund Adjustment Account	8,824	8,308
Pensions Reserve	(1,086,581)	(871,046)
Accumulated Absences Account	(12,596)	(7,191)
	(167,636)	**44,896**

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.

	2014-15 £000s	2015-16 £000s
Balance at 1 April	**202,037**	**186,390**
Upward revaluation of assets	21,037	29,567
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,130)	(9,050)
(Surplus) or deficit on revaluation of non current assets not posted to the Comprehensive Income and Expenditure Statement	14,907	20,517
Difference between fair value depreciation and historical cost depreciation	(2,161)	(2,254)
Accumulated gains on assets sold or scrapped	(28,393)	(7,617)
Amount written off to the Capital Adjustment Account	(30,554)	(9,871)
Balance at 31 March	**186,390**	**197,036**

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

	2014-15 £000s	2015-16 £000s
Balance at 1 April	**756,206**	**739,071**
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	(54,175)	(52,730)
• Revaluation gains/(losses) on property, plant and equipment	5,365	6,944
• Movement in the fair value of investment properties	(708)	4,770
• Amortisation of intangible assets	(413)	(105)
• Revenue expenditure funded from capital under statute	(23,538)	(21,915)
• 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 0)	(116,531)	(88,481)
	(190,000)	(151,517)
Adjusting amounts written out of the Revaluation Reserve	30,554	9,871
Net written out amount of the cost of non current assets consumed in the year	(159,446)	(141,646)
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	9,813	3,754
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	77,371	79,174
• Application of grants to capital financing from the Capital Grants Unapplied Account	22,342	20,786
• Statutory provision for the financing of capital investment charged against the General Fund	23,870	15,117
• Capital expenditure charged against the General Fund	9,085	4,288
	142,481	123,119
Other Adjustments	(170)	5
Balance at 31 March	**739,071**	**720,549**

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 2016 will be charged to the General Fund on a straight line basis until May 2019.

	2014-15 £000s	2015-16 £000s
Balance at 1 April	**(2,726)**	**(2,744)**
Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(55)	(55)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	37	39
Balance at 31 March	**(2,744)**	**(2,760)**

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.

	2014-15 £000s	2015-16 £000s
Balance at 1 April	**4,385**	**8,824**
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	4,439	(516)
Balance at 31 March	**8,824**	**8,308**

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.

	2014-15 £000s	2015-16 £000s
Balance at 1 April	**(867,002)**	**(1,086,581)**
Remeasurements of the defined benefit liability/(asset)	(189,913)	261,472
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	(88,960)	(109,927)
Employers pensions contributions and direct payments to pensioners payable in the year	59,294	63,990
Balance at 31 March	**(1,086,581)**	**(871,046)**

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.

	2014-15 £000s	2015-16 £000s
Balance at 1 April	**(13,837)**	**(12,596)**
Settlement or cancellation of accrual made at the end of the preceding year	13,837	12,596
Amounts accrued at the end of the current year	(12,596)	(7,191)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,241	5,405
Balance at 31 March	**(12,596)**	**(7,191)**

23. Amounts reported for Resource Allocation Decisions

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

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

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

Portfolio Income and Expenditure for 2015-16

	Adult Social Services	Children's Services	Community and Environmental Services	Resources	Finance and Property	Finance General	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Service Income	(72,629)	(460,944)	(101,121)	(27,329)	(10,560)	(251,964)	(924,547)
Government Grants	(71,620)	(410,561)	(15,344)	(36,403)	(157)	(12,516)	(546,601)
Total Income	**(144,249)**	**(871,505)**	**(116,465)**	**(63,732)**	**(10,717)**	**(264,480)**	**(1,471,148)**
Employee Expenses	33,905	329,880	72,154	28,190	11,407	11,985	487,521
Other Service Expenses	341,203	352,915	159,719	55,064	15,780	226,777	1,151,458
Support Service Recharges	11,447	394,093	17,659	3,054	370	2,104	428,727
Total Expenditure	**386,555**	**1,076,888**	**249,532**	**86,308**	**27,557**	**240,866**	**2,067,706**
Net Expenditure	**242,306**	**205,383**	**133,067**	**22,576**	**16,840**	**(23,614)**	**596,558**
Revenue Support Grant							(138,416)
Business Rates							(139,766)
Year end transfer of net underspend to General Fund Balances							52
Net outturn reported to management							**318,428**

Portfolio Income and Expenditure: Comparative totals for 2014-15

	Adult Social Services	Children's Services	Community and Environmental Services	Resources	Finance and Property	Finance General	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Service Income	(74,915)	(498,850)	(103,628)	(38,427)	(15,200)	(311,614)	(1,042,634)
Government Grants	(45,487)	(440,947)	(22,005)	(30,894)	(156)	(13,875)	(553,364)
Total Income	**(120,402)**	**(939,797)**	**(125,633)**	**(69,321)**	**(15,356)**	**(325,489)**	**(1,595,998)**
Employee Expenses	30,586	350,825	72,099	27,742	11,080	9,732	502,064
Other Service Expenses	334,015	318,639	173,720	64,160	13,437	353,232	1,257,203
Support Service Recharges	11,248	420,422	20,017	2,617	791	2,721	457,816
Total Expenditure	**375,849**	**1,089,886**	**265,836**	**94,519**	**25,308**	**365,685**	**2,217,083**
Net Expenditure	**255,447**	**150,089**	**140,203**	**25,198**	**9,952**	**40,196**	**621,085**
Revenue Support Grant							(176,135)
Business Rates							(138,306)
Year end transfer of net underspend to earmarked reserves							1,753
Net outturn reported to management							**308,397**

The analysis above is based on the service structure which was introduced on 1 December 2014 as a result of the Committee system adopted during that year and the analysis for 2014-15 has been restated to provide comparative figures for the new structure.

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

	2014-15	2015-16
	£000s	£000s
Net expenditure in portfolio analysis	621,085	596,558
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	101,864	116,084
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(55,967)	(13,848)
Cost of Services in Comprehensive Income and Expenditure Statement	**666,982**	**698,794**

Reconciliation to Subjective Analysis

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

2015-16	Portfolio Analysis £000s	Amounts not reported to Management £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & service income	(924,547)	(2,729)	384,000	428,727	(114,549)	(1,093)	(115,642)
Interest & investment income						(1,930)	(1,930)
Income and expenditure in relation to investment properties						(487)	(487)
Income from council tax						(317,466)	(317,466)
Government grants & contributions	(546,601)		33,800		(512,801)	(406,594)	(919,395)
Total Income	**(1,471,148)**	**(2,729)**	**417,800**	**428,727**	**(627,350)**	**(727,570)**	**(1,354,920)**
Employee expenses	487,521	77,692	(69,728)		495,485	34,964	530,449
Other service expenses	1,151,458		(414,333)		737,125		737,125
Support service recharges	428,727			(428,727)	0		0
Depreciation, amortisation & impairment		41,121			41,121		41,121
Interest payments						32,592	32,592
Precepts & Levies						1,276	1,276
(Gain) or loss on disposal of fixed assets						86,709	86,709
Total expenditure	**2,067,706**	**118,813**	**(484,061)**	**(428,727)**	**1,273,731**	**155,541**	**1,429,272**
(Surplus) or Deficit on the Provision of Services	**596,558**	**116,084**	**(66,261)**	**0**	**646,381**	**(572,029)**	**74,352**

2014-15	Portfolio Analysis £000s	Amounts not reported to Management £000s	Amounts not included in I&E £000s	Allocation of Recharges £000s	Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(1,042,634)	(2,072)	475,454	457,816	(111,436)	(2,069)	(113,505)
Interest & investment income						(1,981)	(1,981)
Income and expenditure in relation to investment properties						(291)	(291)
Income from council tax						(313,005)	(313,005)
Government grants & contributions	(553,364)		24,213		(529,151)	(440,399)	(969,550)
Total Income	**(1,595,998)**	**(2,072)**	**499,667**	**457,816**	**(640,587)**	**(757,745)**	**(1,398,332)**
Employee expenses	502,064	54,005	(60,678)		495,391	37,027	532,418
Other service expenses	1,257,203		(494,956)		762,247		762,247
Support service recharges	457,816			(457,816)	0		0
Depreciation, amortisation & impairment		49,931			49,931		49,931
Interest payments						33,292	33,292
Precepts & Levies						1,247	1,247
(Gain) or loss on disposal of fixed assets						107,766	107,766
Total expenditure	**2,217,083**	**103,936**	**(555,634)**	**(457,816)**	**1,307,569**	**179,332**	**1,486,901**
(Surplus) or Deficit on the Provision of Services	**621,085**	**101,864**	**(55,967)**	**0**	**666,982**	**(578,413)**	**88,569**

24. 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 only trading unit with a turnover greater than £1.5m in 2015-16 is 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 2015-16 was £6.177m (£5.936m in 2014-15) and the net surplus was £0.170m (£0.161m in 2014-15).

25. Agency Services

The County Council administers money on behalf of the Clinical Commissioning Groups (formerly Primary Care Trusts) under Section 28 agreements. For 2015-16 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £9.877m (£12.983m in 2014-15).

26. Joint Arrangements

- Pooled Funds

For 2015-16, 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 2015-16 are nil (nil in 2014-15).

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	2014-15	2015-16
	£000s	**£000s**
Gross Income	(320)	(329)
Expenditure	315	322
(Surplus)/Deficit	**(5)**	**(7)**
Council's Contribution	24	24

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**

From 1 April 2015, the Council entered into Section 75 "Better Care Fund" arrangements with each of the five Clinical Commissioning Groups in Norfolk. Norfolk County Council provides financial management for these funds.

The Better Care Fund (BCF) is a policy initiative between local authorities, CCGs and NHS providers which has resulted in pooled funds being used to jointly commission or deliver health and social care. The Norfolk Better Care Fund totals more than £60m for 2015-16.

The BCF is comprised of a number of funding streams with legislation and regulations governing each as follows:

Revenue

- Carers' break funding – to support long-term carers.
- CCG reablement funding - to reduce avoidable hospital admissions and facilitate more timely hospital discharges.
- Funding transferred by NHS England to support social care using section 256 of the NHS Act 2006.

Capital

- Disabilities facilities (capital) grant (DFG). There is a statutory duty for local housing authorities to provide grants to those who qualify for grants towards the costs of changing a person's home under section 31 of the Local Government Act 2003.
- Social care capital grant – from DCLG for investment in adult social care services

The contributions and expenses of the Pools for 2015-16 are as follows:

2015-16	**Great Yarmouth and Waveney CCG**	**North Norfolk CCG**	**Norwich CCG**	**South Norfolk CCG**	**West Norfolk CCG**	**Norfolk BCF Capital Pool**	**Total 2015-16**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Income:							
Great Yarmouth and Waveney CCG	(6,144)						(6,144)
North Norfolk CCG		(9,266)					(9,266)
Norwich CCG			(10,406)				(10,406)
South Norfolk CCG				(11,684)			(11,684)
West Norfolk CCG					(9,608)		(9,608)
	(6,144)	(9,266)	(10,406)	(11,684)	(9,608)	0	(47,108)
Norfolk County Council	(12)	(6)	(6)	(12)	(6)		(42)
Capital Grants						(6,080)	(6,080)
Total Income	(6,156)	(9,272)	(10,412)	(11,696)	(9,614)	(6,080)	(53,230)
Expenditure							
Great Yarmouth and Waveney CCG	2,266						2,266
North Norfolk CCG		2,021					2,021
Norwich CCG			2,501				2,501
South Norfolk CCG				2,522			2,522
West Norfolk CCG					3,316		3,316

2015-16	Great Yarmouth and Waveney CCG	North Norfolk CCG	Norwich CCG	South Norfolk CCG	West Norfolk CCG	Norfolk BCF Capital Pool	Total 2015-16
	2,266	2,021	2,501	2,522	3,316	0	12,626
Norfolk County Council	3,890	7,251	7,911	9,174	6,298	6,080	40,604
Total Expenditure	6,156	9,272	10,412	11,696	9,614	6,080	53,230
(Surplus)/Deficit	0	0	0	0	0	0	0

- Equipment Pool

An Equipment Service arrangement is hosted by NCC and accounted for as a Joint Operation with over and underspend risks being borne by the Partner responsible. Other arrangements, contracts and capital grants are stand-alone within the pooled fund with the financial risk of each being retained by the lead body.

2015-16	**Contributions**	**Expenditure**	**Net (surplus) / deficit**
	£000s	**£000s**	**£000s**
Clinical Commissioning Groups:			
Great Yarmouth and Waveney CCG	(227)	227	0
North Norfolk CCG	(1,004)	1,004	0
Norwich CCG	(913)	913	0
South Norfolk CCG	(936)	936	0
West Norfolk CCG	(896)	896	0
	(3,976)	3,976	0
Norfolk County Council	(2,801)	2,801	0
Total	(6,777)	6,777	0

- Infrastructure Investment Fund

Broadland District Council, Norwich City Council and South Norfolk Council have adopted and implemented their own Community Infrastructure Levy (CIL) schemes and agreed to pool a significant proportion of their CIL income to support local infrastructure projects. On 21 October 2015, an agreement including Norfolk County Council was signed to pool CIL income to support the Greater Norwich Growth Board's Strategic Infrastructure Programme. Norfolk County Council acts as the accountable body.

	2015-16
	£000s
Balance brought forward	219
Gross Income	2,380
Expenditure	(183)
Interest on daily cash balances	7
Balance carried forward	**2,423**

27. Members Allowances

The total amount of members allowances paid in the year was £1.061m (£1.074m in 2014-15).

28. Officers Remuneration

(i) Council's senior employees:

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

Remuneration is deemed to include:

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

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

Senior Officer Remuneration Table – 2015-16

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Managing Director: W Thomson		180,000	0	0	**180,000**	27,900	**207,900**
Executive Director of Adult Social Services: H Bodmer		139,500	400	0	**139,900**	21,600	**161,500**
Executive Director of Children's Services: M Rosen	Note A	74,500	0	0	**74,500**	11,500	**86,000**
Interim Executive Director of Children's Services: S Lock	Note A	143,000	0	0	**143,000**	0	**143,000**
Executive Director of Communities and Environment: T McCabe		139,500	0	0	**139,500**	21,600	**161,100**
Executive Director of Finance: S George	Note B	99,200	0	0	**99,200**	15,400	**114,600**
Interim Executive Director of Finance: P Timmins	Note B	28,860	0	0	**28,860**	0	**28,860**
Executive Director of Resources: A Gibson		139,500	0	0	**139,500**	21,600	**161,100**
Chief Fire Officer: N Williams (up to September)	Note C	62,400	0	0	**62,400**	13,500	**75,900**
Chief Fire Officer: R Harold (from September)	Note C	60,200	1,500	0	**61,700**	12,600	**74,300**
Interim Director of Public Health: L M Macleod (up to August)	Note D	44,400	0	0	**44,400**	6,200	**50,600**
Executive Director of Public Health: L Smith (from October)	Note D	53,900	100	0	**54,000**	7,500	**61,500**
Head of Law and Monitoring Officer: V McNeill		91,300	300	0	**91,600**	14,200	**105,800**

Note on Expenses Allowances: The expenses allowances in the table relate to:

a) R Harold - vehicle at Chief Fire Officer's disposal.

b) L Smith - Mileage payments in excess of HMRC limit

c) V McNeill - lease car

Note A: Sheila Lock was the Interim Executive Director of Children's Services until Michael Rosen was appointed on 7 September 2015. Ms Lock remained with the Council until 30 September to ensure a smooth handover. The sum shown against Ms Lock represents the fee paid to secure her services and is not salary.

Note B: Peter Timmins was the Interim Executive Director of Finance until Simon George was appointed on 25 May 2015. Mr Timmins remained until 29 May to ensure a smooth handover. The sum shown against Mr Timmins represents the fee paid to secure his services and is not salary.

Note C: Nigel Williams was Chief Fire Officer until Roy Harold was appointed on 30 September 2015.

Note D: Lucy Macleod held the post of Interim Director of Public Health from 1 April 2013 (when the service transferred from the Primary Care Trusts to local authorities) until 14 August 2015. Louise Smith was appointed to the post from 1 October 2015.

Senior Officer Remuneration Table – 2014-15

Position & Postholder		**Salary**	**Expenses Allowances**	**Compensation for loss of office**	**Sub Total**	**Employer Pension contributions**	**Total**
Managing Director: W Thomson	Note A	115,200	4,600	0	**119,800**	17,900	**137,700**
Executive Director of Adult Social Services: H Bodmer		139,500	0	0	**139,500**	21,600	**161,100**
Interim Executive Director of Children's Services: S Lock		259,800	0	0	**259,800**	N/A	**259,800**
Executive Director of Communities and Environment: T McCabe	Note B						
	Interim	210,400	0	0	**210,400**	N/A	**210,400**
	In post	11,600	0	0	**11,600**	1,800	**13,400**
Interim Executive Director of Finance: P Timmins		182,300	0	0	**182,300**	N/A	**182,300**
Executive Director of Resources: A Gibson	Note C	146,900	0	0	**146,900**	22,800	**169,700**
Chief Fire Officer: N Williams		125,600	0	0	**125,600**	26,700	**152,300**
Interim Director of Public Health: L M Macleod		115,800	200	0	**116,000**	16,200	**132,200**
Head of Law and Monitoring Officer: V McNeill		90,000	0	0	**90,000**	13,900	**103,900**

From 1 December 2014 a revised senior management structure was approved by Council and the table above reflects the senior officer posts applicable to the new departmental structure.

Note A: Wendy Thomson was appointed Managing Director in August 2014.

Note B: Between 1 April 2014 and 28 February 2015 Tom McCabe provided interim management services to the Council for which the Council paid fees of £210,400. From 1 March Mr McCabe was appointed to the post of Executive Director of Communities and Environment and was paid £13,400 including pension contributions for that month.

Note C: From 6 April 2013 until 10 August 2014, Ann Gibson held the post of Acting Managing Director. From 11 August 2014 to 7 January 2015 she held the post of Head of HR and Organisational Development and on 8 January 2015 she was appointed to the post of Executive Director of Resources.

(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	2014-15			2015-16		
	School Staff	**Other Staff**	**Total Employees**	**School Staff**	**Other Staff**	**Total Employees**
£50,000 - £54,999	106	68	174	104	87	191
£55,000 - £59,999	72	75	147	67	64	131
£60,000 - £64,999	50	16	66	47	20	67
£65,000 - £69,999	17	14	31	19	18	37
£70,000 - £74,999	13	6	19	13	2	15
£75,000 - £79,999	7	1	8	5	5	10
£80,000 - £84,999	4	2	6	5	3	8
£85,000 - £89,999	5	11	16	3	4	7
£90,000 - £94,999	2	6	8	1	10	11
£95,000 - £99,999	2	2	4	1	3	4
£100,000 - £104,999	0	3	3	2	2	4
£105,000 - £109,999	1	1	2	0	1	1
£110,000 - £114,999	0	1	1	0	1	1
£115,000 - £119,999	1	0	1	0	0	0
£120,000 - £124,999	0	0	0	1	0	1

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

Exit Package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
							£000s	£000s
£0 – £20,000	65	86	132	126	197	212	1,288	1,339
£20,001 - £40,000	8	5	23	29	31	34	819	952
£40,001 - £60,000	3	1	5	6	8	7	403	366
£60,001 - £80,000	0	0	0	2	0	2	0	135
£80,001 - £100,000	2	1	5	1	7	2	622	163
£100,001-£150,000	0	0	0	0	0	0	0	0
Over £150,000	0	0	0	0	0	0	0	0
Total	**78**	**93**	**165**	**164**	**243**	**257**	**3,132**	**2,955**

The Council terminated the contracts of a number of employees in 2015-16, incurring liabilities of £2.955m (£3.132m in 2014-15). This is payable to 257 officers from Service departments who were made redundant as part of the Council's rationalisation of these Services.

29. 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

	2014-15	2015-16
	£000s	£000s
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	170	128
Fees payable to external auditors for additional resources	0	3
Fees payable to external auditors for the certification of grant claims and returns for the year	6	15
Total	176	146

30. 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:

	2014-15			2015-16		
	Total	Central Expenditure	Individual Schools Budget	Total	Central Expenditure	Individual Schools Budget
	£000s	£000s	£000s	£000s	£000s	£000s
Final DSG for the financial year (before Academy recoupment)	(532,278)			(553,605)		
Academy figure recouped	156,787			196,426		
Total DSG (after Academy recoupment)	(375,491)			(357,179)		
Plus: Brought forward from the previous year	(9,315)			(10,226)		
Less: Carry forward to next financial year agreed in advance	0			0		
Agreed initial budgeted distribution in the year	(384,806)	(44,222)	(340,584)	(367,405)	(35,911)	(331,494)
In year adjustments	(469)	(469)	0	(530)	0	(530)
Final budget distribution for the year	(385,275)	(44,691)	(340,584)	(367,935)	(35,911)	(332,024)
Less: Actual central expenditure	34,465	34,465	0	30,364	30,364	0
Less: Actual ISB deployed to schools	340,584	0	340,584	332,024	0	332,024
Plus Council contribution for the year	0	0	0	0	0	0

Carry forward to next financial year	**(10,226)**	**(10,226)**	**0**	**(5,547)**	**(5,547)**	**0**

31. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015-16.

	2014-15 £000s	2015-16 £000s
Credited to Taxation and non Specific Grant Income:		
General Government Grants:		
Department for Communities and Local Government	189,275	157,190
Department for Education	4,839	4,900
Department of Health	880	7,010
Department for Transport	3,066	3,066
Department for Work and Pensions	2,275	0
Home Office	0	50
Total General Government Grants	**200,335**	**172,216**
Capital Grants and Contributions:		
Department for Education	34,670	20,772
Department for Transport	54,514	51,978
Developer Contributions	5,930	12,703
Department of Health	2,342	2,346
Other Local Authorities	2,694	3,773
Department for Communities and Local Government	1,413	36
East of England Development Agency	0	1,523
Grants and Contributions less than £200,000	363	880
Total Capital Grants and Contributions	**101,926**	**94,011**
Credited to Services:		
Community Services:		
NHS Clinical Commissioning Groups	17,494	48,036
NHS England	19,394	97
NHS Foundation Trusts	0	762
Skills Funding Agency	5,050	4,262
Arts Council	1,720	1,703
Department of Health	95	0
Department for Media, Culture & Sport	0	257
Education Funding Agency (previously Young Person Learning Agency)	862	376
Other Local Authorities	718	1,032
Sport England	206	170
Sport England Lottery	0	778
Heritage Lottery Fund	713	117
English Heritage	0	204
Children’s Services:		
Department for Education	422,022	396,774
Young Person Learning Agency	8,588	5,812
Grants & Contributions raised directly by schools	2,173	2,060
Department for Communities and Local Government	4,139	2,222
NHS Primary Care Trusts/Clinical Commissioning Groups	925	435
Other Local Authorities	267	308
Arts Council /Federation of Music Services	843	1,086
Environment, Transport and Development:		
Department for Transport	1,689	2,028
DEFRA	498	0
Developer Contributions	487	1,241
Other Local Authorities	86	0

Public Health:		
Department of Health	30,633	35,163
NHS England	1,452	2,418
Other Local Authorities	5	0
Other Services:		
Department for Media, Culture & Sport	8,677	2,786
EU Funding	0	1,085
Grants and Contributions less than £200,000	5,018	4,005
Total Grants and Contributions recognised in net Cost of Services	**533,754**	**515,217**

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:

	2014-15 £000s	2015-16 £000s
Included in Current Liabilities:		
Conditional Revenue Grants & Contributions:		
Department for Education	1,161	1,186
Department for Communities and Local Government	0	158
Department for Transport	100	1,311
NHS Clinical Commissioning Groups	1,173	315
Department for Media, Culture and Sport	801	701
Other Revenue Grants & Contributions	446	285
Total Conditional Revenue Grants & Contributions	**3,681**	**3,956**
Included in Long Term Liabilities:		
Capital Grants Receipts in Advance:		
Department for Education	8,988	7,587
Department for Transport	152	963
Department of Health	0	596
Developer Contributions	16,151	16,992
Other Local Authorities	1,706	1,280
Department for Communities and Local Government	47	11
East of England Development Agency	0	302
School Contributions	765	757
Contributions from Diocese	943	885
Other smaller Capital Grants & Contributions	203	112
Total Capital Grants Receipts in Advance	**28,955**	**29,485**

32. Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government Departments are set out in the subjective analysis in note 23 on amounts reported for resource allocations decisions. Grant receipts not yet recognised due to conditions attached to them at 31 March 2016 are included in current liabilities and are shown in note 31 above.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2015-16 is shown in note 27. 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 £4.250m (£3.906m in 2014-15) 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. Transactions and balances outstanding are detailed in note 26.

(iii) The Council has an arrangement to administer and invest surplus cash balances for the Office of the Police and Crime Commissioner for Norfolk and the Norfolk & Suffolk Community Rehabilitation Company (formerly the Norfolk & Suffolk Probation Trust). During the financial year the average daily balances invested were £40.2m and £0.1m respectively (£39.3m and £0.6m in 2014-15). The Council paid a total for interest of £210,000 and £305 respectively on these deposits (£275,000 and £3,000 in 2014-15).

(iv) 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% (25% in 2014-15) calculated as a proportion of the Council's share of ESPO's turnover. Further information on ESPO can be found in their own Statements of Accounts

Pension Fund

During the financial year, the pension fund had an average daily balance of £8.2m of surplus cash deposited with the Council (£7.2m in 2014-15). The Council paid the fund a total for interest of £0.038m on these deposits (£0.040m in 2014-15). The Council charged the fund £0.007m (£0.006m in 2014-15) 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 2015-16. During the year the total values of payments made to and received from Norse Group Ltd, were £82.434m and £6.414m respectively (£90.721m and £6.775m respectively in 2014-15).

Independence Matters is a Community Interest Company which started trading on 1 November 2013. The Council owns 49% of the shares through an initial contract period of three years. During the year approximately 99% of the company's turnover was with Norfolk County Council. The total value of payments made to and received from Independence Matters were £13.453m and £1.192m respectively (£13.693m and £0.449m respectively in 2014-15).

Hethel Innovations Ltd (HIL), Norfolk Energy Futures Ltd (NEFL) and Norfolk Safety CIC are all 100% owned by the Council. The Great Yarmouth Development Company is jointly owned with Great Yarmouth Borough Council and controlled through a 100% holding in Norfolk Regeneration Company Ltd. All have Council member or officer representation on their boards of directors. The Council has provided short term working capital and loans to the subsidiaries at appropriate rates of interest and repayable on terms relating to the nature or the loan and the expected life of underlying assets.

33. 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.

	2014-15 £000s	2015-16 £000s
Opening Capital Financing Requirement	661,734	657,491
Adjustment to Opening Balance	(473)	159
Capital Investment		
Property, plant and equipment	116,123	107,300
Intangible assets	85	46
Revenue expenditure funded from capital under statute	23,538	21,915
Loans	1,598	10,597
Sources of Finance		
Capital receipts	(9,812)	(3,755)
Government grants and other contributions	(99,712)	(99,960)
Sums set aside from revenue:		
Direct revenue contributions	(9,085)	(4,288)
Minimum Revenue Provision	(26,505)	(16,060)
Closing Capital Financing Requirement	657,491	673,445
Explanation of Movements in Year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(21,179)	(10,637)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	19,914	28,684
Assets acquired under Finance Leases	(1,655)	(1,362)
Assets acquired under PFI contracts	(793)	(830)
Other long term liabilities	(57)	(60)
Increase/(decrease) in Capital Financing Requirement	(3,770)	15,795

34. 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 2015	31 March 2016
	£000s	£000s
Land and buildings	8,904	8,724
Vehicles, plant and equipment	6,055	4,268
Heritage Assets	2,178	2,270
County Council Total	**17,137**	**15,262**

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 2015	31 March 2016
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments):		
Current	1,920	1,545
Non current	4,697	3,152
Finance costs payable in future years	663	422
Minimum lease payments	**7,280**	**5,119**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000s	£000s	£000s	£000s
Not later than one year	2,161	1,710	1,920	1,545
Later than one year and not later than five years	4,168	2,835	3,283	2,280
Later than five years	951	574	1,414	872
	7,280	**5,119**	**6,617**	**4,697**

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

(ii) Operating Leases

Vehicles, Plant and Equipment:

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

The amount paid under these arrangements in 2015-16 was £0.545m (£0.696m in 2014-15).

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 2015-16 were £1.741m (£1.735m in 2014-15).

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

	31 March 2015	31 March 2016
	£000s	£000s
Not later than one year	1,407	1,204
Later than one year and not later than five years	4,059	3,636
Later than five years	8,439	7,862
Total	**13,905**	**12,702**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.286m (£2.431m in 2014-15).

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 2015 £000s	31 March 2016 £000s
Leases expiring within 1 year	2,275	2,761
Leases expiring within 2 to 5 years	6,960	9,234
Leases expiring after 5 years	10,080	17,109
	19,315	**29,104**

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.

35. PFI and similar contracts

At 31 March 2016, 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 0.

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 2016 (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 2016	Total at 31 March 2015
	£000s	£000s	£000s	£000s	£000s
Payable in 2016-17	750	7,298	5,907	**13,955**	**13,736**
Payable within 2-5 years	3,721	30,405	21,946	**56,072**	**56,302**
Payable within 6-10 years	14,110	32,901	23,343	**70,354**	**69,761**
Payable within 11-15 years	25,587	35,905	13,304	**74,796**	**73,707**
Payable within 16-20 years	10,783	12,739	1,431	**24,953**	**40,360**
Total	**54,951**	**119,248**	**65,931**	**240,130**	**253,866**

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:

2015-16	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	26,760	676	28,345	**55,781**
Payments during the year	(4,077)	(403)	(2,394)	**(6,874)**
Finance lease cost	3,319	299	2,426	**6,044**
Balance outstanding at year end	**26,002**	**572**	**28,377**	**54,951**

Comparatives for 2014-15	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	27,520	728	28,326	56,574
Payments during the year	(4,173)	(375)	(2,405)	**(6,953)**
Finance lease cost	3,413	323	2,424	**6,160**
Balance outstanding at year end	**26,760**	**676**	**28,345**	**55,781**

36. 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 2015-16 the Council recognised an impairment loss of £5.511m (£6.490m in 2014-15) in relation to capital expenditure incurred which does not result in a change to the value of the assets. Impairment reversals on revaluations total £1.361m (£2.064m in 2014-15).

37. 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 2015-16, the County Council paid £20.274m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2014-15 were £20.302m and 14.1%. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 38.

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 2015-16, the County Council paid £0.325m 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 2014-15 were £0.298m and 14%. There were no contributions remaining payable at the year end.

38. 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 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 87.

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**	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	£000s	**£000s**	**£000s**	**£000s**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	53,464	72,025	6,000	6,300
Past service costs	1,236	1,486	0	0
(Gain)/loss from settlements	(7,867)	(3,948)	(900)	(900)
Financing and Investment Income and Expenditure:				
Net interest expense	25,827	25,064	11,200	9,900
Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	72,660	94,627	16,300	15,300
Other post employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined pension liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	128,679	(11,997)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	800
Actuarial gains and losses arising on changes in financial assumptions	(295,234)	209,649	(37,700)	29,300

Other (if applicable)	14,542	32,120	(200)	1,600
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(79,353)	324,399	(21,600)	47,000
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	(72,660)	(94,627)	(16,300)	(15,300)
Actual amount charged against the General Fund balance for pensions for the year:				
Employers contributions payable to the scheme*	54,194	55,490		
Retirement benefits payable to pensioners			5,100	8,500

*(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	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	£000s	**£000s**	**£000s**	**£000s**
Present value of the defined benefit obligation	(2,341,612)	(2,189,391)	(310,700)	(285,800)
Fair value of plan assets	1,565,731	1,604,145	0	0
Net liability arising from defined benefit obligation	(775,881)	(585,246)	(310,700)	(285,800)

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April	1,996,133	2,341,612	261,600	310,700
Current service cost	53,464	72,025	6,000	6,300
Interest cost	85,342	75,190	11,200	9,900
Contributions by scheme participants	14,315	14,277	1,500	1,500
Remeasurement (gains) and losses:				
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	(800)
Actuarial gains and losses arising on changes in financial assumptions	295,234	(209,649)	37,700	(29,300)

Other (if applicable)	(14,542)	(32,120)	200	(1,600)
Past service costs	1,236	1,486	0	0
Losses/(gains) on curtailments	(21,013)	(8,584)	(900)	(1,900)
Benefits paid	(68,557)	(64,846)	0	0
Pension and lump sum expenditure	0	0	(6,600)	(9,000)
Balance at 31 March	**2,341,612**	**2,189,391**	**310,700**	**285,800**

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

	Local Government Pension Scheme	
	2014-15	**2015-16**
	£000s	**£000s**
Opening fair value of scheme assets	1,390,731	1,565,731
Interest income	59,515	50,126
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	128,679	(11,997)
Employer contributions	54,194	55,490
Contributions from employees into the scheme	14,315	14,277
Benefits paid	(68,557)	(64,846)
Other (gain/loss from settlements)	(13,146)	(4,636)
Balance at 31 March	**1,565,731**	**1,604,145**

Local Government Pension Scheme Assets comprised:

	Period ended 31 March 2015				Period ended 31 March 2016			
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	67,315	-	67,315	4%	115,117	-	115,117	7%
Manufacturing	83,053	-	83,053	5%	83,593	-	83,593	5%
Energy and Utilities	34,476	-	34,476	2%	36,027	-	36,027	2%
Financial Institutions	100,691	-	100,691	7%	104,963	-	104,963	7%
Health and Care	52,948	-	52,948	3%	51,234	-	51,234	3%
Information Technology	53,203	-	53,203	4%	48,249	-	48,249	3%
Other	79,351	-	79,351	5%	-	-	-	0%
Debt Securities:								
Corporate Bonds (investment grade)	65,867	-	65,867	4%	-	-	-	0%

Asset Category	Period ended 31 March 2015				Period ended 31 March 2016			
	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	%
Corporate Bonds (non-investment grade)	1,703	-	1,703	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Private Equity:								
All	-	102,974	102,974	7%	-	103,137	103,137	6%
Real Estate:								
UK Property	-	166,300	166,300	11%	-	182,833	182,833	11%
Overseas Property	-	19,089	19,089	1%	-	24,722	24,722	2%
Investment Funds and Unit Trusts:								
Equities	630,195	-	630,195	40%	411,923	-	411,923	26%
Bonds	64,843	-	64,843	4%	412,694	-	412,694	26%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Derivatives:								0%
Inflation	-	-	-	0%	-	-	-	0%
Interest Rates	-	-	-	0%	-	-	-	0%
Foreign Exchange	1,386	-	1,386	0%	(4,961)	-	(4,961)	0%
Other	557	-	557	0%	-	-	-	0%
Cash and Cash equivalents:								
All	-	41,780	41,780	3%	-	34,614	34,614	2%
Totals	**1,235,588**	**330,143**	**1,565,731**	**100%**	**1,258,839**	**345,306**	**1,604,145**	**100%**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the fire fighters scheme and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council fund being based on the most recent actuarial valuation of the scheme.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2014-15	2015-16	2014-15	2015-16
Mortality assumptions:				
Longevity at 65 (60 for Fire fighters scheme) for current pensioners:				
Men	22.1	22.1	29.5	29.7
Women	24.3	24.3	31.7	31.6
Longevity at 65 (60 for Fire fighters scheme) for future pensioners:				
Men	24.5	24.5	31.1	31.2
Women	26.9	26.9	33.2	33.2
Rate of inflation	3.3%	3.2%	3.3%	3.2%
Rate of increase in salaries	3.3%	3.2%	3.4%	3.2%
Rate of increase in pensions	2.4%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	3.2%	3.5%	3.2%	3.5%

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, ie 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 2016	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	10%	221,283
1 year increase in member life expectancy	3%	65,682
0.5% increase in the salary increase rate	3%	60,160
0.5% increase in the pension increase rate	7%	158,629

Fire Fighters Pension Scheme

Change in assumptions at 31 March 2016	Approximate % increase to employer liability	Approximate monetary amount £000s
0.5% decrease in real discount rate	9%	25,700
1 year increase in member life expectancy	3%	8,500
0.5% increase in the salary increase rate	1%	3,500
0.5% increase in the pension increase rate	8%	21,800

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. Work on the next triennial valuation (as at 31 March 2016) is currently underway.

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

The Council anticipates to pay £48.769m expected contributions to the scheme in 2016-17.

The weighted average duration of the defined benefit obligation for scheme members is 18.1 years.

39. 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.

40. Nature and Extent of risks arising from Financial Instruments

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

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

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

Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

(a) Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element.

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

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

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

The full Investment Strategy for 2015-16 was approved by full Council on 16 February 2015 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

The Council does not generally allow credit for customers, such that £43.290m of the £109.881m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2015	31 March 2016
	£000s	£000s
Less than three months	22,214	21,203
Three to six months	3,900	4,659
Six months to one year	5,730	5,475
More than one year	10,034	11,953
	41,878	**43,290**

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 2016 was £2.878m.

(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 2015 £000s	31 March 2016 £000s
Less than one year	113,949	123,131
Between one and two years	194	0
Between two and three years	0	0
More than three years	0	0
	114,143	**123,131**

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 2015 £000s	31 March 2016 £000s
Less than one year	15%	0%	12,887	12,305
Between one and two years	15%	0%	6,000	6,525
Between two and five years	45%	0%	18,839	17,480
Between five and ten years	75%	0%	57,275	73,000
More than ten years	100%	0%	407,768	386,979
			502,769	**496,289**

The analysis does not include totals for creditors as detailed in note 0.

(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	861
Impact on surplus or deficit on the Provision of Services	861
Decrease in fair value of fixed rate investment assets	N/A
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	92,370

The approximate impact of a fall in interest rates would be limited to £0.427m. 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 no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

41. 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 2015-16, 3 schools moved to Academy status and 1 school transferred from Community status giving a total in this authority area of 42 Foundation Schools (44 in 2014-15).

42. 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 2015 £000s	**31 March 2016 £000s**
Office of the Police and Crime Commissioner for Norfolk	32,846	17,000
Norfolk and Suffolk Probation Trust	8	0
Norfolk Pension Fund	2,184	2,747
NPS Property Consultants Ltd	725	0
Norse Care Ltd	1,869	3,454

Norse Commercial Services Ltd	395	1,486
Independence Matters CIC	55	532
	38,082	**25,219**

43. Trust Funds

The Council acts as sole or custodian trustee for nine trust funds and as one of several trustees for a further seven trust funds and also manages a number of bequests. Only one of these funds (Mrs D.E. Cole Deceased Trust) 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 2016. 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 23, 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 2016

2014-15			**2015-16**
£000s			**£000s**
	Contributions receivable		
	County Council		
(1,935)	- Contributions in relation to pensionable pay	(1,864)	
(81)	- Early retirements	(122)	
(1,448)	Fire fighters' contributions	(2,146)	
(3,464)			(4,132)
(3)	Transfers in from other authorities		0
	Benefits payable		
6,187	Pensions	7,007	
472	Commutations and lump sums	2,611	
6,659			9,618
	Payments to and on account of leavers		
0	Transfers out to other authorities		0
3,192	Net amount payable for the year		5,486
(3,192)	Top up grant payable by Government		(5,486)
0			0

Fire Fighters Pension Fund Net Assets Statement

31 March 2015		**31 March 2016**
£000s		**£000s**
(181)	Top up (payable to) / receivable from Government	608
181	Amount owing (to) / from General Fund	(608)
0		0

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

Notes to the Fire Fighters Pension Fund Accounts

1. Summary of Arrangements

The new Fire Fighters Pension Scheme was introduced on 1 April 2006.

Until April 2006 the Council was responsible for paying the pensions of fire officers who retired from the Fire Service on a ‘pay as you go’ basis. Pension arrangements for officers already employed by the service continue under the old scheme, unless they elect to transfer to the new scheme.

Under the new arrangements the Council was required to set up two Fire Fighters pensions accounts. Contributions from the Council (employer) and officers are paid into the new accounts. The employer contribution rate has been set at 21.3% of Fire Officers pensionable pay for the old scheme and 11% of Fire Officers pensionable pay for the new scheme. Pension payments are made from the new accounts, except for injury awards which are funded by the Council.

2. Grant Arrangements

The Norfolk Fire Fighters Pension Scheme is an unfunded, defined benefit scheme which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Information on the Councils’ long term pension obligations can be found in Note 38 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 Regulations 1992 (old pension scheme) and 2006 (new pension scheme). The new arrangements have no impact on the benefit structure of the Norfolk Fire Fighters Pension schemes.

Group Accounts

Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council is involved with a number of companies and organisations whose assets and liabilities are not included in the Council's single entity statements. In these cases the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts.

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation. Two of these, Norse Group Ltd and Independence Matters CIC are considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Norse Group Ltd and Independence Matters CIC.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they are included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Norse Group Ltd	Subsidiary	Consolidated
Independence Matters CIC	Subsidiary	Consolidated
Norfolk Energy Futures Ltd	Subsidiary	Not material
Hethel Innovation Ltd	Subsidiary	Not material
Norfolk Regeneration Company Limited	Subsidiary	Not material
Norfolk Safety Community Interest Company	Subsidiary	Not material
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 further capital loan of £10m was made to Norse Group by the County Council in 2015-16.

The company's accounting period for 2015-16 is from 1 February 2015 to 31 March 2016. The final accounts of the company for the period ended 31 March 2016 are still subject to audit. Copies of the accounts 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 2016 are shown in the table below.

Norse Group Ltd	**2014-15**	**2015-16**
	£000s	**£000s**
Dividends received from the joint venture or associate		
Current Assets	57,704	58,239
Non-current assets	82,577	106,778
Current Liabilities	(52,397)	(60,495)
Non-current liabilities.	(80,147)	(73,738)
Net Assets for the accounting period	7,737	30,784
Revenue	251,172	321,923
Profit or loss from continuing operations	3,540	4,060
Profit/(Loss) for the accounting period (after Tax)	2,621	3,302
Post-tax profit or loss from discontinued operations	0	0
Other comprehensive (expense) / income	(16,242)	20,544
Total comprehensive (expense) / income	(13,621)	23,846
Extent of non-controlling interests		
Non-controlling equity interest	(2,391)	(229)
Share of profit from equity accounted investments	0	0
Non-controlling interest in the Profit/(Loss) for the accounting period	281	262

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 2015-16, approximately 99% of the company's turnover of approximately £14m 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 and income from investment in renewable energy and energy conservation projects. The company owns 19 x 5Kw wind turbines on 11 farms owned by Norfolk County Council.

Hethel Innovation Limited (HIL)

HIL is 100% owned by the County Council. The company 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 has added 16 new offices and workshop spaces to the site which continues to attract new businesses.

Norfolk Regeneration Company Limited (NRC) and Great Yarmouth Development Company Limited (GYDC)

NRC is 100% owned by the County Council. The purpose of the company is to promote economic development on behalf of the local authorities of Norfolk, with an initial focus on physical regeneration and development. The company's structure provides a mechanism for joint venture activity. GYDC is jointly owned with Great Yarmouth Borough Council. The company 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.

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 51.

The accounts for 2015-16 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.

Where subsidiary undertakings have a different accounting year end to the Council's, the subsidiary has prepared additional financial statements as at 31 March.

Group Movement in Reserves Statement

The Code requires that the Group Movement in Reserves statement excludes movements on reserves attributable to minority interests. The Council's subsidiary Norse Group Ltd includes minority interests within their accounts. This means that totals in the Group Movement in Reserves statement do not reconcile to the Group Comprehensive Income and Expenditure Statement or the total reserves shown in the Group Balance Sheet. The table on page 94 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 2014	**238,593**	**1,239**	**239,832**	**79,063**	**16,882**	**95,945**	**335,777**
Movement in Reserves during 2014-15							
Group Surplus / (Deficit)	8,621	(97,463)	(88,842)	0	0	0	(88,842)
Other Comprehensive Expenditure and Income	0	(13,872)	(13,872)	(175,176)	0	(175,176)	(189,048)
Total Comprehensive Expenditure and Income	**8,621**	**(111,335)**	**(102,714)**	**(175,176)**	**0**	**(175,176)**	**(277,890)**
Adjustments between Group Accounts and Council Accounts*	(97,190)	97,190	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	71,523	0	71,523	(71,523)	0	(71,523)	0
Increase / (Decrease) in Year	**(17,046)**	**(14,145)**	**(31,191)**	**(246,699)**	**0**	**(246,699)**	**(277,890)**
Balance at 31 March 2015	**221,547**	**(12,906)**	**208,641**	**(167,636)**	**16,882**	**(150,754)**	**57,887**
Movement in Reserves during 2015-16							
Group Surplus / (Deficit)	13,926	(91,171)	(77,245)	0	0	0	(77,245)
Other Comprehensive Expenditure and Income	0	20,275	20,275	281,994	0	281,994	302,269
Total Comprehensive Expenditure and Income	**13,926**	**(70,896)**	**(56,970)**	**281,994**	**0**	**281,994**	**225,024**
Adjustments between Group Accounts and Council Accounts**	(88,278)	88,278	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	69,462	0	69,462	(69,462)	0	(69,462)	0
Increase / (Decrease) in Year	**(4,890)**	**17,382**	**12,492**	**212,532**	**0**	**212,532**	**225,024**
Balance at 31 March 2016	**216,657**	**4,476**	**221,133**	**44,896**	**16,882**	**61,778**	**282,911**

** 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 2014	**335,777**	**(1,478)**	**334,299**
Group Surplus/(Deficit)	(88,842)	748	(88,094)
Other Comprehensive Expenditure and Income	(189,048)	(1,339)	(190,387)
Adjustments between accounting basis and funding basis under regulations	0	0	0
Balance at 31 March 2015	**57,887**	**(2,069)**	**55,818**
Group Surplus/(Deficit)	(77,245)	(54)	(77,299)
Other Comprehensive Expenditure and Income	302,269	1,894	304,163
Adjustments between accounting basis and funding basis under regulations	0	0	0
Balance at 31 March 2016	**282,911**	**(229)**	**282,682**

* see note on previous page.

Group Comprehensive Income and Expenditure Statement

	2014-15 Gross Expenditure	2014-15 Income	2014-15 Net Expenditure	2015-16 Gross Expenditure	2015-16 Income	2015-16 Net Expenditure
	£000s	£000s	£000s	£000s	£000s	£000s
Adult Social Care	397,919	94,991	302,928	399,984	120,564	279,420
Central Services to the Public	4,299	2,178	2,121	4,123	2,124	1,999
Children's and Education Services	679,101	487,794	191,307	656,409	463,542	192,867
Cultural and Related Services	32,003	11,541	20,462	28,342	13,104	15,238
Environmental and Regulatory Services	92,511	47,977	44,534	88,985	45,972	43,013
Fire and Rescue Services	35,429	1,887	33,542	30,859	1,527	29,332
Highways and Transport Services	92,655	17,985	74,670	81,380	15,423	65,957
Planning Services	17,911	13,015	4,896	21,116	8,175	12,941
Public Health	30,969	33,371	(2,402)	39,422	38,264	1,158
Other Services	83,373	83,132	242	103,609	106,337	(2,728)
Corporate and Democratic Core	4,417	0	4,417	3,181	(608)	3,789
Non Distributed Costs	(7,234)	1,612	(8,846)	(3,587)	622	(4,209)
Exceptional Items (note 2)				1,827	0	1,827
Other Operating Income	0	1,212	(1,212)	0	368	(368)
Cost of Services	**1,463,353**	**796,695**	**666,658**	**1,455,650**	**815,414**	**640,236**
Other Operating Expenditure			109,013			88,194
Financing and Investment Income and Expenditure (note 2)			68,190			66,667
Taxation and Non-Specific Grant Income			(753,404)			(724,060)
(Surplus) / Deficit on Provision of Services			**90,457**			**71,037**
Share of surplus or deficit of associates			68			0
Tax Expenses (note 3)			(2,431)			6,262
Group (Surplus) / Deficit			**88,094**			**77,299**
(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			(14,737)			(20,522)
Actuarial (Gains) / Losses on Pension Assets / Liabilities			205,124			(283,641)
Other Comprehensive Income and Expenditure			**190,387**			**(304,163)**
Total Comprehensive Income and Expenditure			**278,481**			**(226,864)**

Group Balance Sheet

	Group Note	31 March 2015 £000s	31 March 2016 £000s
Property, Plant & Equipment	4	1,595,282	1,626,637
Heritage Assets		5,771	5,978
Investment Property		28,621	23,705
Intangible Assets	5	5,887	5,629
Assets held for Sale		1,215	0
Long Term Investments		1,431	1,315
Investments in Associates and Joint Ventures		22	22
Long Term Debtors	7	12,098	11,253
Deferred Tax Asset		9,357	4,477
Long Term Assets		**1,659,684**	**1,679,016**
Short Term Investments		112,130	126,206
Inventories	6	2,534	2,941
Short Term Debtors	7	152,156	150,291
Cash and Cash Equivalents	8	78,150	61,587
Assets Held for Sale		1,390	1,110
Current Tax Recoverable			606
Current Assets		**346,360**	**342,741**
Short Term Borrowing		(16,873)	(13,606)
Other Short Term Liabilities		(3,479)	(3,212)
Short Term Creditors	9	(157,469)	(189,848)
Provisions		(6,713)	(6,356)
Current tax liability		(50)	(153)
Current Liabilities		**(184,584)**	**(213,175)**
Long Term Creditors		(5,278)	(2,197)
Provisions		(22,285)	(22,399)
Long Term Borrowing		(508,861)	(509,810)
Other Long Term Liabilities		(1,200,263)	(962,009)
Capital Grants Receipts in Advance		(28,955)	(29,485)
Long Term Liabilities		**(1,765,642)**	**(1,525,900)**
Net Assets		**55,818**	**282,682**
Usable Reserves	11	208,641	221,133
Unusable Reserves	11	(152,823)	61,549
Total Reserves		**55,818**	**282,682**

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Group Cash Flow Statement

	31 March 2015 £000s	31 March 2016 £000s
Net (surplus) or deficit on the provision of services	**90,457**	**71,037**
Adjust net (surplus) or deficit on the provision of services for non-cash movements	(202,361)	(221,124)
Adjust for Items in the net (surplus) or deficit on the provision of services that are investing and financing activities	112,653	104,610
Net cash flows from Operating Activities (note i)	749	(45,477)
Investing Activities (note ii)	(22,476)	63,078
Financing Activities (note iii)	812	(1,038)
Net (increase) or decrease in cash and cash equivalents	**(20,915)**	**16,563**
Cash and cash equivalents at the start of the year	**57,235**	**78,150**
Cash and cash equivalents at the end of the year (note 8)	**78,150**	**61,587**

Notes to the Group Cash Flow Statement

i. Operating Activities

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

	2014-15 £000s	2015-16 £000s
Interest received	(2,026)	(2,045)
Interest paid	32,497	33,466

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

	2014-15 £000s	2015-16 £000s
Depreciation	(54,601)	(53,325)
Impairment and downward valuations	737	(282)
Increase/(decrease) in creditors	(513)	(13,082)
(Increase)/decrease in debtors	(1,192)	(17,065)
Movement in Pension Liability	(29,666)	(47,382)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(116,531)	(88,481)
Other non-cash items charged to the net surplus or deficit on the provision of services	(595)	(1,507)
	(202,361)	**(221,124)**

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

	2014-15 £000s	2015-16 £000s
Capital grants credited to the deficit on the provision of services	110,950	101,768
Proceeds from the sale of property, plant and equipment	11,558	2,087
Other items for which the cash effects are investing or financing activities	(9,855)	755
	112,653	**104,610**

ii. Investing Activities

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

	2014-15 £000s	2015-16 £000s
Purchase of property, plant and equipment, investment property and intangible assets	133,436	143,246
Purchase of short term and long term investments	0	12,010
Other payments for investing activities	5,598	11,635
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,654)	(3,703)
Proceeds from short term and long term investments	(38,908)	0
Other receipts from investing activities	(109,948)	(100,110)
Net cash flows from investing activities	**(22,476)**	**63,078**

iii. Financing Activities

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

	2014-15 £000s	2015-16 £000s
Cash receipts of short term and long term borrowing	(13,036)	(15,106)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,678	3,908
Repayments of short term and long term borrowing	9,193	9,860
Other payments from financing activities	977	300
Net cash flows from financing activities	**812**	**(1,038)**

Notes to the Group Accounts

1. Accounting Policies

1.1 General Principles

The accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Accounts.

1.2 Joint Ventures

A joint venture is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement.

1.3 Business combinations

Business combinations occurring on or after 1 February 2009 are accounted for using the acquisition method under the revised IFRS 3 Business Combinations (IFRS 3R). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

1.4 Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is calculated, without discounting, based on the laws enacted or substantially enacted by the reporting date and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

1.5 Goodwill

Goodwill arises from the acquisition of a controlling interest in various companies within the group accounts. It represents the excess cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed annually for impairment and any impairment is recognised in the Comprehensive Income and Expenditure Statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

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

The income and expenses of the Council's subsidiary companies are consolidated in the Statement on a line by line basis.

The exceptional items included in the Group CIES are amounts included in the Norse accounts and relate to:

	£000s
Redundancy costs	279
Settlement of legal dispute	850
Loss on share of Associate company	698
Total	**1,827**

The consolidation adjustment in the total for Financing and Investment Income and Expenditure is due to:

	2014-15 £000s	**2015-16 £000s**
Interest payable and similar charges	978	1,052
Net interest cost and on the net defined benefit liability	1,471	1,634
Interest receivable and similar income	(237)	(65)
Total for Norse Group Ltd and Independence Matters	**2,212**	**2,621**

3. Tax Expenses of Group Entities

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

	2014-15 £000s	**2015-16 £000s**
Tax in respect of the current year	593	1,258
Deferred tax in respect of the current year (retirement benefit obligations)	18	(344)
Deferred tax on actuarial loss/gain for the year	(3,042)	5,348
Total Taxation Expenses	**(2,431)**	**6,262**

4. Property, Plant and Equipment

Movements in 2015-16 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 2015	848,588	113,125	832,852	1	132,424	19,876	1,946,866
Additions	5,494	22,754	50,375	0	62,600	0	141,223
Revaluation increases/(decreases):							
- to Revaluation reserve	14,730	0	0	0	0	3,197	17,927
- to surplus or deficit on provision of services	2,222	0	0	0	0	(2,143)	79
Derecognition - disposals	(88,154)	(16,353)	0	(1)	(20)	(202)	(104,730)
Assets reclassified (to)/from Held for Sale	52	0	0	0	0	(1,266)	(1,214)
Reclassifications and transfers	70,664	81	29,486	0	(89,823)	(3,948)	6,460
At 31 March 2016	853,596	119,607	912,713	0	105,181	15,514	2,006,611
Accumulated Depreciation and Impairment							
At 1 April 2015	68,572	62,253	211,156	0	(48)	9,651	351,584
Depreciation charge	19,409	11,399	22,438	0	0	80	53,326
Depreciation written out to Revaluation reserve	(2,330)	0	0	0	0	(48)	(2,378)
Depreciation written out on revaluation to surplus or deficit on provision of services	(6,646)	0	0	0	0	(219)	(6,865)
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	126	0	0	0	0	0	126
- the surplus or deficit on provision of services	1,867	0	0	0	0	0	1,867
Derecognition - disposals	(2,121)	(15,552)	0	0	0	(13)	(17,686)
Reclassifications and transfers	227	1	(25)	0	0	(203)	0
At 31 March 2016	79,104	58,101	233,569	0	(48)	9,248	379,974
Net Book Value:							
At 31 March 2016	**774,492**	**61,506**	**679,144**	**0**	**105,229**	**6,266**	**1,626,637**
At 31 March 2015	780,016	50,872	621,696	1	132,472	10,225	1,595,282

Movements in 2014-15 on Group assets:

Cost or Valuation	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s
At 1 April 2014	922,006	90,571	786,612	1	99,401	22,245	1,920,836
Additions	24,433	26,339	46,240	0	39,082	0	136,094
Revaluation increases/(decreases):							
- to Revaluation reserve	12,902	0	0	0	0	260	13,162
- to surplus or deficit on provision of services	3,625	0	0	0	0	(1,339)	2,286
Derecognition - disposals	(112,880)	(6,060)	0	0	(867)	0	(119,807)
Assets reclassified (to)/from Held for Sale	(1,215)	0	0	0	0	(4,480)	(5,695)
Reclassifications and transfers	(283)	2,275	0	0	(5,192)	3,190	(10)
At 31 March 2015	848,588	113,125	832,852	1	132,424	19,876	1,946,866
Accumulated Depreciation and Impairment							
At 1 April 2014	53,582	54,069	189,743	0	0	9,798	307,192
Depreciation charge	20,486	12,394	21,415	0	(48)	353	54,600
Depreciation written out to Revaluation reserve	(1,148)	0	0	0	0	(80)	(1,228)
Depreciation written out on revaluation to surplus or deficit on provision of services	(2,664)	0	0	0	0	(415)	(3,079)
Impairment losses/(reversals) recognised in:							
- the Revaluation reserve	(519)	0	0	0	0	0	(519)
- the surplus or deficit on provision of services	789	0	0	0	0	0	789
Derecognition - disposals	(1,936)	(4,203)	0	0	0	0	(6,139)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(24)	(24)
Reclassifications and transfers	(18)	(7)	(2)	0	0	19	(8)
At 31 March 2015	68,572	62,253	211,156	0	(48)	9,651	351,584
Net Book Value:							
At 31 March 2015	**780,016**	**50,872**	**621,696**	**1**	**132,472**	**10,225**	**1,595,282**
At 31 March 2014	868,424	36,502	596,869	1	99,401	12,447	1,613,644

Capital Commitments

The Norse Group Ltd have no significant capital commitments as at 31 March 2016.

Details of the Council's capital commitments are shown in Note 0 to the Single Entity accounts.

5. Intangible Assets

The movement on the Group balances during the year:

	2014-15			2015-16		
	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	40,713	4,862	**45,575**	6,522	4,673	**11,195**
- Accumulated amortisation	(38,751)	(386)	**(39,137)**	(4,922)	(386)	**(5,308)**
Net carrying amount at the start of the year	1,962	4,476	**6,438**	1,600	4,287	**5,887**
Additions (purchases)	514	0	**514**	302	0	**302**
Disposals	(4)	0	**(4)**	0	0	**0**
Impairment losses	(13)	(189)	**(202)**	0	110	**110**
Amortisation for the period	(859)	0	**(859)**	(670)	0	**(670)**
Net carrying amount at the end of the year	1,600	4,287	**5,887**	1,232	4,397	**5,629**
Comprising:						
- Gross carrying amounts	6,522	4,673	**11,195**	6,824	4,783	**11,607**
- Accumulated amortisation	(4,922)	(386)	**(5,308)**	(5,592)	(386)	**(5,978)**
	1,600	4,287	**5,887**	1,232	4,397	**5,629**

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	**2014-15**	**2015-16**
	£000s	**£000s**
Balance outstanding at start of year	1,814	2,534
Purchases	32,796	31,644
Recognised as an expense in year	(32,075)	(31,237)
Written off balances	(1)	0
Balance outstanding at year end	**2,534**	**2,941**

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 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Central Government bodies	0	0	18,635	9,482
Other local authorities	0	0	36,839	38,265
NHS bodies	624	0	11,602	12,649
Prepayments	0	0	19,986	23,441
Other entities and individuals	11,474	11,253	65,094	66,454
Group Total	**12,098**	**11,253**	**152,156**	**150,291**

8. Cash and Cash Equivalents

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

	31 March 2015 £000s	31 March 2016 £000s
Single Entity Cash and Bank balances	2,874	(731)
Subsidiary cash and bank balances	14,149	10,289
Short term deposits with the Money Market	61,127	52,029
Total Group Cash and Cash Equivalents	**78,150**	**61,587**

9. Creditors

The table provides details of creditors included in current liabilities on the balance sheet.

	Short Term Creditors	
	31 March 2015 £000s	31 March 2016 £000s
Central Government bodies	12,618	14,148
Other local authorities	6,515	13,865
NHS bodies	4,178	6,677
Public Corporations and Trading Funds	144	0
Receipts in advance	7,782	2,861
Other entities and individuals	126,232	152,297
Group Total	**157,469**	**189,848**

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:

	2014-15 £000s	2015-16 £000s
Group Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	57,275	76,500
Past service costs/(gain)	1,415	1,495
(Gain)/loss from settlements	(7,867)	(4,270)
Financing and Investment Income and Expenditure:		
Net interest expense	27,298	26,697
Total post employment benefit charged to the Surplus of Deficit on the Provision of Services	78,121	100,422
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)	142,542	(13,003)
Actuarial gains and losses arising on changes in demographic assumptions	0	23,175
Actuarial gains and losses arising on changes in financial assumptions	(325,068)	209,649
Other (if applicable)	15,302	32,120
Total post employment benefit charged to the Group Comprehensive Income and Expenditure Statement		
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(78,121)	(100,422)
Actual amount charged against Usable reserves for pensions for the year:		
Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	58,774	59,845

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:

	2014-15	2015-16
	£000s	£000s
Present value of the defined benefit obligation	(2,570,008)	(2,400,342)
Fair value of plan assets	1,743,281	1,784,978
Net liability arising from defined benefit obligation	(826,727)	(615,364)

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

	2014-15	2015-16
	£000s	£000s
Balance at 1 April	2,188,337	2,570,008
Current service cost	57,275	76,500
Interest cost	93,568	82,036
Contributions by scheme participants	15,466	15,371
Remeasurement gains and losses:		
Actuarial gains and losses arising on changes in demographic assumptions	0	(23,175)
Actuarial gains and losses arising on changes in financial assumptions	325,068	(209,649)
Other (if applicable)	(15,302)	(32,120)
Past service costs/(gain)	1,415	1,495
Losses /(gains) on curtailments	(21,013)	(9,837)
Benefits paid	(74,806)	(70,287)
Balance at 31 March	**2,570,008**	**2,400,342**

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

	2014-15	2015-16
	£000s	£000s
Opening fair value of scheme assets	1,548,181	1,743,281
Interest income	66,270	55,339
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	142,542	(13,003)
Employer contributions	58,774	59,845
Contributions by scheme participants	15,466	15,371
Benefits paid	(74,806)	(70,288)
Other (gain/loss from settlements)	(13,146)	(5,567)
Balance at 31 March	**1,743,281**	**1,784,978**

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 38.

11. Reserves

Movements on the Group reserves are detailed in the Group Movement in Reserve Statement on page 93. 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	(12,906)	16,200	682	16,882
Profit/(Loss) for the year	2,021	0	0	0
Actuarial loss in respect of defined benefit pension schemes	20,275	0	0	0
Deferred tax in respect of defined benefit pension schemes	(4,914)	0	0	0
Balance at 31 March	**4,476**	**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 2015**	**31 March 2016**
	£000s	**£000s**
Land and buildings	8,904	8,724
Vehicles, plant and equipment	8,525	7,259
Heritage Assets	2,178	2,270
Group Total	**19,607**	**18,253**

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

Group	**31 March 2015**	**31 March 2016**
	£000s	**£000s**
Finance lease liabilities (net present value of minimum lease payments):		
Current	2,649	2,462
Non current	7,884	6,252
Finance costs payable in future years	1,120	812
Minimum lease payments	**11,653**	**9,526**

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

Group	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000s	£000s	£000s	£000s
Not later than one year	3,045	2,781	2,649	2,462
Later than one year and not later than five years	7,233	3,906	6,020	5,339
Later than five years	1,335	2,839	1,864	1,303
	11,613	**9,526**	**10,533**	**9,104**

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 2015-16 was £1.899m (£2.546m in 2014-15). The company also leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2015-16 were £1.871m (£2.059m in 2014-15).

Details of the Council's leases are shown in Note 34 on page 73.

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

	31 March 2015	31 March 2016
	£000s	£000s
Not later than one year	4,731	4,578
Later than one year and not later than five years	12,111	13,718
Later than five years	11,728	11,092
Total	**28,570**	**29,388**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £3.618m (£4.977m in 2014-15).

13. Financial Instruments

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

		Long Term		Current	
		31 March 2015	31 March 2016	31 March 2015	31 March 2016
		£000s	£000s	£000s	£000s
Investments:					
Loans and receivables		193	77	112,130	126,206
Available for sale financial assets	(i)	1,238	1,238	0	0
Total included in Investments		**1,431**	**1,315**	**112,130**	**126,206**

		Long Term		Current	
		31 March 2015	31 March 2016	31 March 2015	31 March 2016
		£000s	£000s	£000s	£000s
Debtors					
Loans and receivables	(ii)	9,883	8,956	96,675	105,448
Soft Loans (legal charges on property)	(iii)	2,215	2,297	610	581
Total included in Debtors		**12,098**	**11,253**	**97,285**	**106,029**
Borrowings:					
Financial liabilities at amortised cost		508,861	509,810	16,873	13,606
Total included in Borrowings		**508,861**	**509,810**	**16,873**	**13,606**
Other Long Term Liabilities					
PFI liabilities		54,951	54,201	830	750
Finance lease liabilities		7,843	6,642	2,649	2,462
Total Other Long Term Liabilities		**62,794**	**60,843**	**3,479**	**3,212**
Creditors					
Financial liabilities at amortised cost		447	2,197	119,189	155,261
Total included in Creditors		**447**	**2,197**	**119,189**	**155,261**

(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 2016.

The Local Government Pension Scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendment.

The full Pension Fund Accounts have been considered by the Pensions Committee at its meeting on 6 September 2016 and will be incorporated in the Pension Fund Annual Report. A copy of the report will be placed on the Pension Fund's website www.norfolkpensionfund.org

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code of Practice) requires authorities to account for pension funds in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations detailed in the Code of Practice.

The accounting statements in this section comprise:

- Revenue and Fund Account – shows the changes in net assets available for benefits, including income to and expenditure from the fund relating to scheme members and to the investment and administration of the fund
- Net Assets Statement – discloses the type and value of the assets available at the year end to meet benefits
- Notes to the accounts – provide additional information including a description of the fund, a summary of the significant applicable accounting policies, and supporting information on the figures included in the accounts.

A list of participating employers is included at the end of this section.

Independent Auditor's Report on Norfolk Pension Fund Accounts to the Members of Norfolk County Council

Once given the auditors opinion will appear here

Revenue and Fund Account for the year ended 31 March 2016

	Note	2014-15 £000s	2015-16 £000s
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	125,054	125,625
Transfers in from other pension funds	8	5,255	5,130
		130,309	**130,755**
Benefits	9	(121,841)	(125,516)
Payments to and on account of leavers	10	(87,683)	(12,636)
		(209,524)	**(138,152)**
Net additions/withdrawals from dealings with members		**(79,215)**	**(7,397)**
Management expenses	11	**(15,484)**	**(15,674)**
Returns on investments			
Investment income	12	57,820	65,301
Taxes on income	13	(286)	(257)
Profit and losses on disposal of investments and changes in the market value of investments	15a	315,888	(86,045)
Net return on investments		**373,422**	**(21,001)**
Net increase/decrease in the net assets available for benefits during the year		**278,723**	**(44,072)**
Opening net assets of the scheme		**2,670,147**	**2,948,870**
Closing net assets of the scheme		**2,948,870**	**2,904,798**

Net Assets Statement at 31 March 2016

	Note	2014-15 £000s	2015-16 £000s
Investment assets	15	2,991,654	2,893,172
Investment liabilities	15	(61,280)	(5,860)
		2,930,374	**2,887,312**
Long term Debtors	20	8,414	5,645
		8,414	**5,645**
Current Assets			
Debtors	20	15,739	16,956
Cash in hand		1,787	2,768
		17,526	**19,724**
Current Liabilities			
Creditors	21	(7,444)	(7,883)
		(7,444)	**(7,883)**
Net Current Assets		**10,082**	**11,841**
Net Assets of the Fund available to fund benefits at the period end		**2,948,870**	**2,904,798**

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 2015-16 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 2009 (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.

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 262 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below:

	31 March 2015	31 March 2016
Number of Employers with Active Members	**233**	**262**
Number of Employees in Scheme		
Norfolk County Council	14,460	14,655
Other Employers	13,178	13,375
Total	**27,638**	**28,030**
Number of Pensioners		
Norfolk County Council	11,148	11,618
Other Employers	10,099	10,597
Total	**21,247**	**22,215**
Deferred Pensioners		
Norfolk County Council	17,882	19,486
Other Employers	11,243	12,991
Total	**29,125**	**32,477**

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 . Aylmerton Parish Council 2 . Great Yarmouth Sport and Leisure Trust 3 . Hales and Heckingham Parish Council 4 . Norfolk Association of Local Councils 5 . Pre-School Learning Alliance (Hunstanton)	1. Anthony Curton Primary School 2. Castle Acre Church of England Primary School 3. Colkirk Church of England Primary School 4. Dereham Church of England Junior Academy 5. Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust) 6. Drayton Parish Council 7. Engage Educational Services 8. Garvestone, Reymerston & Thuxton Parish Council 9. Gooderstone Church of England Primary Academy 10. Great Witchingham Church of England Primary School 11. Heart Education Trust 12. The Hewett Academy 13. Hilgay Riverside Academy 14. Hockering Primary Aademy 15. Holt Town Council 16. King's Lynn Internal Drainage Board (Water Management Alliance) 17. Konectbus Ltd 18. Lingwood & Burlingham Parish Council 19. Lingwood Primary Academy 20. Marshland High School 21. Marshland St James Primary School 22. Narborough Church of England Primary Academy 23. Rackheath Parish Council 24. Sculthorpe Church of England Primary School 25. Sentinel Leisure Trust 26. Sewell Park Academy 27. Sheringham Town Council 28. Southery Academy 29. Sporle Church of England Primary School 30. St Andrews Primary School 31. St Peters Church of England Primary Academy 32. Tasburgh Parish Council 33. Ten Mile Bank Primary Community Primary School 34. West Raynham VC Primary School

A full list of participating employers is shown on page 150.

(c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2016, employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of full-time equivalent pensionable salary.

Banding depends on a member’s actual annual pay rate. The table below shows the bands for 2016-17. The bandings are unchanged from 2015-16.

Actual Pensionable Pay 2016-17	Contribution rate per year 2016-17
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001 to £101,200	10.5%
£101,201 to £151,800	11.4%
More than £151,800	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 last valuation at March 2013 set the rates payable by employers for the period 1 April 2014 to 31 March 2017. Excluding lump sum deficit recovery payments these rates range from 0% to 28.6% of actual pensionable pay. Work on the March 2016 valuation is underway.

(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 2016 is negative (-0.1%) and means pensions that have accrued for active scheme members during 2015-16 will be reduced on 1 April 2016. However, the Government have confirmed that pensions in payment should not be reduced. The Fund is awaiting advice from the Government on the method of reduction for those members leaving the scheme in 2015-16 and not drawing a pension

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 2015-16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 approach, is disclosed at note 19 of these accounts.

The accounts have been prepared on the normal accruals basis of accounting other than in respect of transfer values.

Generally transfer values are prepared on a cash basis. Where a transaction in respect of a transfer out has already been processed through the pensions administration system but not through the accounts payable system a creditor will be shown.

The 2014-15 comparator figures for deficit contributions and contingent assets have been represented in note 7 and 25. The 2014-15 comparator figure in Note 15b (analysis of investments) has also been represented to reflect changes in the presentation of the note to reconcile with the Assets and liabilities shown in the Net Asset Statement.

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
Baillie Gifford & Co	UK Equities
Capital International	Global Equities
Fidelity	Overseas Equities
Henderson Global Investors	Fixed Income

	2014-15 £000s		2015-16 £000s
Performance-related fees	1,747		1,056

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.

	2014-15 £000s		2015-16 £000s
Value of fees based on estimates	3,568		3,224

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 as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.

  Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs.

  Directly held investments includes investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines.

iv) Limited partnerships

Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

vi) Freehold and leasehold properties

The direct property holding was valued on the basis of market value at 31 March 2016, by NPS Property Consultants Ltd using a MRICS qualified Valuer in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards 2014. The direct property holding is valued every 3 years in line with the triennial valuation of the Fund. NPS Property Consultants Ltd is an employer within the Norfolk Pension Fund and the Surveyor that undertook the valuation was contributing member when the valuation was completed.

(h) 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.

(i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

(j) 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.

(k) 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.

(l) 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).

(m) 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)

(n) Accounting Standards issued but not yet adopted

The 2015-16 and 2016-17 Code of Practice on Local Authority Accounting lists a number of accounting standards that have been issued but not yet adopted. Of the standards listed, IFRS 13 Fair Value Measurement is the most relevant to the Fund. Having considered all the standards the Fund has determined there is no material impact on the accounts and no additional disclosure is required.

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.

	2014-15 £000s		2015-16 £000s
Value of unquoted private equity	193,353		183,489

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The assumptions underpinning the valuations are agreed with the actuary and are summarised in note 18. In accordance with IAS26 the fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits (see note 19). Actuarial methodology used in triennial valuations is different from that used in IAS26, therefore they will produce different liability values at a common valuation date.

The liability estimates in notes 18 and 19 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (measured under IAS26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the real discount rate assumption would result in a decrease in the pension liability of £393 million. A 0.25% increase in the assumed earnings inflation would increase the value of liabilities by approximately £70 million, a 0.5% increase in the pension increase rate would increase the liability by approximately £290 million and a one-year increase in assumed life expectancy would increase the liability by approximately £125 million.
Private Equity	Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £183.5 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 2016, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions receivable

	2014-15	2015-16
By Category	**£000s**	**£000s**
Employers – normal	94,462	94,664
Employers – special	1,516	293
Employers – augmentation	0	1
Employers – strain	1,823	2,946
Members – normal	26,455	27,014
Members – purchase of additional scheme benefits	798	707
Total	**125,054**	**125,625**

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.

	2014-15	2015-16
	£000s	**£000s**
Deficit recovery contributions included in employer normal contributions	28,599	27,499
Total	**28,599**	**27,499**

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.

	2014-15	2015-16
By Authority	**£000s**	**£000s**
Administering authority	51,465	53,895
Other scheduled bodies	45,197	45,851
Community admission bodies	8,561	6,240
Transferee admission bodies	2,892	2,874
Resolution bodies	16,939	16,765
Total	**125,054**	**125,625**

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:

	2014-15	2015-16
	£000s	**£000s**
Strain instalments due after the balance sheet date	8	113
Total	**8**	**113**

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 2016.

8. Transfers in from other Pension Funds

	2014-15	2015-16
	£000s	**£000s**
Individual transfers	5,255	5,130
Total	**5,255**	**5,130**

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.

	2014-15	2015-16
	£000s	£000s
HMCS total present value	7,698	6,530
Total	**7,698**	**6,530**

The discounted value of the outstanding cash flows is included in debtor balances at the year-end. The total present value of these payments is calculated as £6.5 million. As the payment is being made direct by the sponsoring government department rather than from the PCSPS (a registered pension scheme), the income has been classified as employer special contributions.

9. Benefits payable

	2014-15	2015-16
By Category	£000s	£000s
Pensions	96,794	100,846
Commutation and lump sum retirement benefits	24,040	20,984
Lump sum death benefits	1,007	3,686
Total	**121,841**	**125,516**
By Authority		
Administering authority	58,724	58,765
Other scheduled bodies	44,790	46,798
Community admission bodies	5,332	5,689
Transferee admission bodies	2,928	3,443
Resolution bodies	10,067	10,821
Total	**121,841**	**125,516**

10. Payments to and on account of leavers

	2014-15	2015-16
	£000s	£000s
Group transfers	82,097	7,239
Refunds to members leaving service	74	165
Individual Transfers out to other Schemes	5,512	5,232
Total	**87,683**	**12,636**

The 2014-15 Group Transfers figure represents the regulatory transfer of all active, deferred and pensioner members to the Greater Manchester Pension Fund. The 2015-16 Group Transfers figure includes three transfers out of all active, deferred and pensioner members to the Royal Borough of Kingston Upon Thames Pension Fund, Cambridgeshire County Council Pension Fund and the London Pension Fund Authority.

11. Management Expenses

Pension fund management expenses for 2015-16 are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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

	2014-15 £000s	2015-16 £000s
Administrative costs	1,754	1,766
Investment managements expenses (see note14)	13,208	13,371
Oversight and governance costs	522	537
Total	15,484	15,674

The Local Government Pension Scheme Regulations enables administration expenses (including Oversight and Governance) to be charged to the Fund. Investment management expenses are analysed further in note 14.

12. Investment Income

	2014-15 £000s	2015-16 £000s
Income from fixed interest securities	3,780	6,327
Equity dividends	20,011	20,872
Pooled property investments	13,010	14,059
Pooled fund income- Unit trusts and other managed funds	10,207	14,097
Private equity income	4,878	3,698
Pooled funds rebate	5,651	5,963
Stock lending	142	112
Interest on cash deposits	61	98
Property (Note 12a)	36	36
Other	44	39
Total Investment Income	**57,820**	**65,301**

12 (a). Property Income

	2014-15 £000s	2015-16 £000s
Rental income	36	36
Direct operating expenses	0	(1)
Net income	**36**	**35**

13. Taxes on Income

	2014-15 £000s	2015-16 £000s
Withholding tax - equities	268	248
Withholding tax – pooled investments	18	9
	286	**257**

14. Investment Expenses

	2014-15 £000s	2015-16 £000s
Management fees – invoiced ad valorem	6,348	6,724
Management fees – invoiced performance	1,747	1,056
Management expenses on unit trusts	1,215	1,306
Private Equity – fund of fund fees	3,111	3,509
Direct Property	0	1
Custody fees	120	55
Derivative commission fees	50	39
Transaction costs	617	681
Total	**13,208**	**13,371**

15. Investments

	Market Value 31 March 2015 £000s	Market Value 31 March 2016 £000s
Investment assets		
Fixed Interest Securities	123,987	0
Equities	821,867	787,143
Pooled Investments	1,306,655	1,499,620
Pooled property investments	339,470	378,335
Private equity Partnerships	193,353	183,489
Property	454	444
Derivatives - forward currency	5,630	3,238
Cash deposits	58,766	36,068
Amounts receivable for sales	54,472	4,835
Prepayment of Investment	87,000	0
Total investment assets	**2,991,654**	**2,893,172**
Investment liabilities		
Derivatives – futures	(653)	0
Derivatives - forward currency	(3,060)	(4,442)
Amounts payable for purchases	(57,567)	(1,418)
Total investment liabilities	**(61,280)**	**(5,860)**
Net investment assets	**2,930,374**	**2,887,312**

15 (a) Reconciliation of Movements in Investments and Derivatives 2015-16

	Market value 31 March 2015 £000s	Purchases during the year and derivative payments £000s	Sales during the year and derivative receipts £000s	Change in market value during the year £000s	Market value 31 March 2016 £000s
Fixed interest securities	**123,987**	8,077	(128,140)	(3,924)	0
Equities	**821,867**	231,091	(216,474)	(49,341)	**787,143**
Pooled investments	**1,306,655**	566,211	(380,160)	6,914	**1,499,620**
Pooled property investments	**339,470**	67,598	(49,561)	20,828	**378,335**
Private equity	**193,353**	31,450	(65,421)	24,107	**183,489**
Property	**454**	0	0	(10)	**444**
	2,785,786	**904,427**	**(839,756)**	**(1,426)**	**2,849,031**
Derivative contracts:					
- Futures	**(653)**	1,185	(474)	(58)	**0**
- Forward currency contracts	**2,570**	167,453	(139,048)	(32,179)	**(1,204)**
	1,917	**168,638**	**(139,522)**	**(32,237)**	**(1,204)**
Other investment balances:					
- Cash deposits	**58,766**			(52,382)	**36,068**
- Amount receivable for sales of investments	**54,472**				**4,835**
- Prepayment of investment Balances	**87,000**				**0**
- Amount payable for purchases of investments	**(57,567)**				**(1,418)**
Net investment assets	**2,930,374**			**(86,045)**	**2,887,312**

15 (a) Reconciliation of Movements in Investments and Derivatives 2014-15

	Market value 31 March 2014 £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 2015 £000s
Fixed interest securities	**122,677**	14,486	(14,512)	1,336	123,987
Equities	**793,786**	355,680	(427,425)	99,826	821,867

	Market value 31 March 2014 £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 2015 £000s
Pooled investments	**1,190,572**	103,674	(137,984)	150,393	1,306,655
Pooled property investments	**308,550**	39,612	(46,976)	38,284	339,470
Private equity	**188,146**	28,107	(38,568)	15,668	193,353
Property	**454**	0	0	0	454
	2,604,185	**541,559**	**(665,465)**	**305,507**	**2,785,786**
Derivative contracts:					
- Futures	**(290)**	5,876	0	(6,239)	**(653)**
- Forward currency contracts	**5,014**	156,717	(159,505)	344	**2,570**
	4,724	**162,593**	**(159,505)**	**(5,895)**	**1,917**
Other investment balances:					
- Cash deposits	**40,844**			16,276	**58,766**
- Amount receivable for sales of investments	**4,413**				**54,472**
- Prepayment of investment Balances	**0**				**87,000**
- Amount payable for purchases of investments	**(4,422)**				**(57,567)**
Net investment assets	**2,649,744**			**315,888**	**2,930,374**

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 2015-16	£681,000
Transaction costs incurred during 2014-15	£617,000

15 (b) Analysis of Investments (excluding derivative contracts)

	2014-15 £000s	2015-16 £000s
Fixed Interest Securities		
UK		
Corporate quoted	74,273	0
Overseas		
Public sector quoted	0	0
Corporate quoted	49,714	0
	123,987	**0**
Equities		
UK		
Quoted	266,803	264,232
Overseas		
Quoted	555,064	522,911
	821,867	**787,143**
Pooled Funds – additional analysis		
Unit trusts	764,598	694,837
Unitised insurance policies	235,131	226,367
Other managed funds	110,150	381,788
	1,109,879	**1,302,992**
Overseas		
Unit trusts	196,776	196,628
	196,776	**196,628**
Pooled property investments	339,470	378,335
Private equity	193,353	183,489
Direct Property	454	444
Derivatives – forward currency	5,630	3,238
	538,907	**565,506**
Cash deposits	58,766	36,068
Amounts receivable for sales	54,472	4,835
Prepayment of Investment Balances	87,000	0
	200,238	**40,903**
Total investment assets	**2,991,654**	**2,893,172**

	2014-15 £000s	2015-16 £000s
Investment liabilities		
Derivatives – futures	(653)	0
Derivatives – forward currency	(3,060)	(4,442)
Amounts payable for purchases	(57,567)	(1,418)
Total investment liabilities	**(61,280)**	**(5,860)**
Net investment assets	**2,930,374**	**2,887,312**

15 (b) Analysis of Derivatives

Objectives and policies for holding derivatives

The holdings in derivatives are to hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreements between the fund and the investment managers holding mandates that permit the use of these instruments.

a) Futures

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

The Fund has authorised the use of futures by Henderson and M&G to assist in meeting the investment objectives that they have been set. Henderson did not hold any futures contracts in its portfolio at 31 March 2016 (2015 nil). Similarly M&G were also required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest portfolio. The M&G portfolio was restructured during this financial year and a result M&G no longer hold any futures contracts or undertake currency hedging on behalf of the Fund.

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 Fund also requires Aviva to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex-UK) property funds. This hedging activity covers US Dollar, Euro, Yen and Australian Dollar exposures. Similarly M&G were required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest holdings, until the portfolio was restructured during this financial year.

In addition to these mandate positions short term contracts may also arise in portfolios investing in non-Sterling denominated assets as a consequence of the need to settle transactions in foreign currencies. These tend to be shorter term contracts than those undertaken for other purposes but settlement may span the balance sheet date.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000s	Market Value 31 March 2015 £000s	Economic Exposure £000s	Market Value 31 March 2016 £000s
Assets					
UK fixed interest	Less than 1 year	0	0	0	0
Total assets			**0**		**0**
Liabilities					
UK fixed interest	Less than 1 year	(91,185)	(653)		0
Total liabilities			**(653)**		**0**
Net futures			**(653)**		**0**

There are no balances in respect of initial and variation margins arising on open futures contacts at the year-end included within cash balances (2015 £1,782,000).

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	£	8,282	AUD	(17,199)	0	(914)
Up to one month	£	98,228	EUR	(126,323)	0	(1,974)
Up to one month	£	75,875	JPY	(12,312,259)	0	(379)
Up to one month	£	308,771	$	(440,643)	2,210	0
Up to one month	EUR	80,996	£	(63,219)	1,028	0
Up to one month	JPY	8,446,279	£	(52,498)	0	(186)
Up to one month	$	130,161	£	(91,543)	0	(989)
Open forward currency contacts at 31 March 2016					**3,238**	**(4,442)**
Net forward currency contracts at 31 March 2016						**(1,204)**
Prior year comparative						
Open forward currency contacts at 31 March 2015					**5,630**	**(3,060)**
Net forward currency contracts at 31 March 2015						**2,570**

At the 31st March 2016, cash totalling £610,000 (nil 2014-15) was held by the Fund as collateral against gains on its Forward foreign Currency contracts with Berenberg Bank. The cash was held in an HSBC account and is not included in the asset figures for the fund.

Contracts with a common underlying currency profile and similar maturity profile have been amalgamated for the purpose of disclosure. A key to the currencies referred to in the table is provided below:

Symbol / Acronym	Currency
£	British pounds (Sterling)
$	United States dollar
EUR	Euro
JPY	Japanese yen

15 (b) Investments Analysed by Fund Manager

	Market Value 31 March 2015 £000s	%	Market Value 31 March 2016 £000s	%
Fidelity	551,627	18.81	484,519	16.77
Aviva Investors	359,862	12.28	381,609	13.22
Henderson Global Investors	311,410	10.63	364,915	12.64
Capital International Ltd	284,040	9.69	277,905	9.63
Baillie Gifford & Co	237,622	8.11	231,013	8.00
Legal & General Investment Management	235,131	8.02	226,367	7.84
M&G	215,246	7.35	217,544	7.53
Wellington International	182,590	6.23	173,428	6.01
Sarasin & Partners	180,256	6.15	171,990	5.96
Goldman Sachs Asset Management	166,080	5.67	167,805	5.81
HarbourVest Partners	114,751	3.92	120,940	4.19
SL Capital Partners	78,234	2.67	62,555	2.17
Global Custodian*	12,493	0.43	6,400	0.22
Berenberg Bank*	(1,519)	(0.05)	1,341	0.05
Insight Investment (Pareto)*	2,551	0.09	(1,019)	(0.04)
	2,930,374	**100.00**	**2,887,312**	**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 equity programme and monies held for property investment. Currency hedging contracts in respect of the Fund's overseas equity holdings are reported in the Insight Investment (Pareto) and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable.

15 (b) Investments representing more than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2015 £000s	Percentage of Total Fund %	Market Value 31 March 2016 £000s	Percentage of Total Fund %
Legal & General UK Equity Index Fund	234,360	7.9	225,576	7.8
M&G Alpha Opportunities Fund	0	0.0	210,670	7.3
Goldman Sachs Global Strategic Income Bond Portfolio (SIF)	166,080	5.6	167,805	5.8
Fidelity Institutional Exempt America Fund	167,217	5.7	162,186	5.6
Fidelity Institutional Europe Fund	150,174	5.1	146,613	5.1

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Five pooled holdings (four in 2014-15) do represent over 5% of the total value of the net assets of the scheme. Each holding is a pooled investment vehicle and comprises the following:

- At 31 March 2016 the Legal and General UK Equity Index Fund held 653 (2015 642) stocks compared with the 641 (2015 642) stocks in the equity index that it tracks (FTSE all-share).
- As at 31 March 2016 the M&G Alpha Opportunities Fund has 415 positions, across 327 issuers.
- During 2015-16 the fund transitioned from the Goldman Sachs STAR Fund into the Goldman Sachs SIF Fund. The SIF fund held 1,089 individual positions at 31 March 2016.
- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 165 stocks at 31 March 2016 (2015 160).
- The Fidelity Institutional Europe Fund comprised 63 holdings at 31 March 2016 (2015 64).

The Legal & General investment is a unit linked contract of long term insurance ("the policy") issued by Legal & General Assurance (Pensions Management) Limited ("PMC"), to which units are allocated in the range of pooled investment funds operated as portfolios of assets ("PF Sections). The policy falls within Class II of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a "with profits" contract. The value of the units in a PF Section are directly linked to the assets legally and beneficially owned by PMC and held in that PF section and units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at PMC's discretion, by a transfer of assets in specie). The value is incorporated into the net asset statement within other managed funds. The underlying assets are predominantly quoted UK equities but may also include uninvested cash and futures.

Within the Reconciliation of the Movements in Investments, the following investments represented more than 5% of the asset class or type at 31 March 2016:

Holding/Investment Type	Market Value 31 March 2016 £000s	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	225,576	15.04%
M&G Alpha Opportunities Fund	210,670	14.05%
Goldman Sachs Global Strategic Income Bond Portfolio	167,805	11.19%
Fidelity Institutional Exempt America Fund	162,186	10.82%
Fidelity Institutional Europe Fund	146,613	9.78%
Henderson Long Dated Credit Fund	138,375	9.23%
Fidelity Institutional Japan Fund	81,536	5.44%
Pooled property investments		
Industrial Property Investment Fund	34,855	9.21%
Standard Life Pooled Property Fund	32,589	8.61%
Blackrock UK Property Fund	32,554	8.60%
Aviva Investors Pensions Property Fund	32,295	8.54%
Threadneedle Property Unit Trust	25,417	6.72%
West End of London Property Unit Trust	22,793	6.02%
Henderson Central London Office Property	22,412	5.92%

Private equity		
Harbourvest VIII Cayman Buyout Fund	35,650	19.43%
Harbourvest VIII Cayman Venture Fund	24,115	13.14%
Standard Life European Strategic Partners 2008	24,046	13.10%
Standard Life European Strategic Partners 2004	19,177	10.45%
Standard Life European Strategic Partners 2006	17,122	9.33%
Harbourvest IX Cayman Buyout Fund	14,267	7.78%
Harbourvest IX Cayman Venture Fund	11,624	6.34%
Direct Property		
Hamlin Way, King's Lynn	444	100.00%

15 (c) Stock Lending

	31 March 2015	31 March 2016
	£000s	£000s
Value of quoted equities on loan	6,280	10,742
Fair value of collateral held by Custodian	6,636	11,595
Collateral relative to stock on loan (percentage coverage)	106%	108%

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 2015 £000s	Value on loan at 31 March 2016 £000s
UK Equities	886	4,644
Overseas Equities	5,394	6,098

At 31 March 2016, securities were on loan to 5 separate borrowers representing 5 parent groups. The largest single parent exposure was 51% of the lending programme.

15 (d) Property Holdings

	Year ending 31 March 2015	Year ending 31 March 2016
	£000s	£000s
Opening Balance	454	454
Additions	0	0
Disposals	0	0
Net increase in market value	0	0
Other changes in fair value	0	(10)
Closing balance	**454**	**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.

16. Financial Instruments

16 (a) Classification

	31 March 2015			31 March 2016		
	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	123,987			0		
Equities	821,867			787,143		
Pooled Investments	1,306,655			1,499,620		
Pooled Property	339,470			378,335		
Private equity	193,353			183,489		
Derivative contracts	5,630			3,238		
Cash		60,553			38,836	
Other investment balances	146,140			9,290		
Debtors		46			98	
	2,937,102	**60,599**	**0**	**2,861,115**	**38,934**	**0**

Financial liabilities						
Derivative contracts	(3,713)			(4,442)		
Creditors			(5,834)			(5,476)
Other investment balances	(57,567)			(1,418)		
	(61,280)	**0**	**(5,834)**	**(5,860)**	**0**	**(5,476)**
	2,875,822	**60,599**	**(5,834)**	**2,855,255**	**38,934**	**(5,476)**

16 (b) Net gains and losses on Financial Instruments

	31 March 2015 £000s	31 March 2016 £000s
Financial assets		
Fair value through profit and loss	478,844	82,680
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial liabilities		
Fair value through profit and loss	(162,956)	(168,715)
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	**315,888**	**(86,035)**

16 (c) Fair Value of Financial Instruments and Liabilities

In accordance with our accounting policies, financial assets and liabilities are included in the accounts on a fair value basis. The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16 (d) Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and 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.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2016	**Quoted market price Level 1 £000s**	**Using observable inputs Level 2 £000s**	**With significant unobservable inputs Level 3 £000s**	**Total £000s**
Financial assets				
Financial assets at fair value through profit and loss	2,299,291	0	561,824	2,861,115
Loans and receivables	38,934	0	0	38,934
Total financial assets	**2,338,225**	**0**	**561,824**	**2,900,049**
Financial liabilities				
Fair value through profit and loss	(5,860)	0	0	(5,860)
Financial liabilities at amortised cost	(5,476)	0	0	(5,476)
Total financial liabilities	**(11,336)**	**0**	**0**	**(11,336)**
Net financial assets	**2,326,889**	**0**	**561,824**	**2,888,713**

Values at 31 March 2015	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets				
Financial assets at fair value through profit and loss	2,404,279	0	532,823	2,937,102
Loans and receivables	60,599	0	0	60,599
Total financial assets	**2,464,878**	**0**	**532,823**	**2,997,701**
Financial liabilities				
Fair value through profit and loss	(61,280)	0	0	(61,280)
Financial liabilities at amortised cost	(5,834)	0	0	(5,834)
Total financial liabilities	**(67,114)**	**0**	**0**	**(67,114)**
Net financial assets	**2,397,764**	**0**	**532,823**	**2,930,587**

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 2016-17 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Equities including pooled	10.85
Overseas Equities including pooled	9.62
UK Bonds including pooled	7.17
Index Linked Gilts including pooled	9.19
Bonds including pooled	6.42
Cash and Cash Equivalents (Including Payables and Receivables)	0.01
Pooled & Direct Property Investments	2.83
Private Equity	8.32
Total	**6.04***

* The total % includes the impact of correlation across asset classes at an aggregate level.

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the funds investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is also shown below):

Asset Type	Value as at 31 March 2016 £000s	Percentage Change %	Value on Increase £000s	Value on Decrease £000s
Cash and Cash Equivalents including payables and receivables	38,282	0.01	38,286	38,278
Investment Portfolio Assets:				
UK Equities including pooled	499,454	10.85	553,645	445,263
Overseas Equities including pooled	1,036,253	9.62	1,135,941	936,565

UK Bonds including pooled	61,191	7.17	65,578	56,804
Index Linked Gilts including pooled	63,086	9.19	68,884	57,288
Bonds including pooled	626,778	6.42	667,017	586,539
Pooled & Direct Property Investments	378,779	2.83	389,498	368,060
Private Equity	183,489	8.32	198,755	168,223
Total Assets Available to Pay Benefits	**2,887,312**	**6.04**	**3,061,706***	**2,712,918***

Asset Type	**Value as at 31 March 2015 £000s**	**Percentage Change %**	**Value on Increase £000s**	**Value on Decrease £000s**
Cash and Cash Equivalents including payables and receivables	145,241	0.02	145,270	145,212
Investment Portfolio Assets:				
UK Equities including pooled	510,921	10.60	565,079	456,763
Overseas Equities including pooled	1,084,383	9.21	1,184,255	984,511
UK Bonds including pooled	134,729	7.01	144,174	125,284
Overseas Bonds including pooled	463,654	1.59	471,026	456,282
Index Linked Gilts including pooled	58,169	9.47	63,678	52,660
Pooled & Direct Property Investments	339,924	3.53	351,923	327,925
Private Equity Partnerships	193,353	7.62	208,086	178,620
Total Assets Available to Pay Benefits	**2,930,374**	**5.63**	**3,095,354***	**2,765,394***

* The % change for Total Assets includes the impact of correlation across asset classes, which lowers the total increase and increases the total decrease at an aggregate level.

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements through its gross cash holdings as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	**Value as at 31 March 2015 £000s**	**Value as at 31 March 2016 £000s**
Investment Cash Balances	58,766	36,068
Cash in hand	1,787	2,768
Total	**60,553**	**38,836**

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 2016	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000s	£000s	£000s
Investment Cash Balances	36,068	361	(361)
Cash in hand	2,768	28	(28)
	38,836	**389**	**(389)**

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 3.45% 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 3.45% 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 2016	Change to net assets available to pay benefits	
		+3.45%	-3.45%
	£000s	£000s	£000s
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,036,253	35,751	(35,751)
Private Equity	183,489	6,330	(6,330)
Change in net assets available to pay benefits		42,081	(42,081)

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 2015**	**Balances at 31 March 2015 £000s**	**Short term Rating (S&P) 31 March 2016**	**Balances at 31 March 2016 £000s**
Bank Deposit Accounts				
Barclays Bank PLC	A-1	1,092	A-2	1,373
HSBC	A-1+	1,092	A-1+	1,374
Bank current Accounts				
Barclays Bank (Co-op Bank 2014-15, part 2015-16)	Not rated by S&P-Fitch B	5	A-2	10
Total		2,189		2,757

The majority of Custodied Investment cash is swept overnight to the AAA rated constant NAV money market funds of the custodian(s) and one other provider (Deutsche). The credit exposure on investment cash balances at 31 March 2016 comprise £38.4 million (£49.5m) deposited with AAA rated money market funds, -£2.3 million (+£7.5m) overdrawn with the custodian HSBC as a result of a timing difference on pending trade (rated A-1+), £0 million (£1.8m) posted to a variation margin account held by Royal Bank of Scotland (rated A-3).

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The council has immediate access to its pension fund cash holdings, there were no deposits with fixed periods at 31 March 2016 (2015 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 2015 £000s	Percentage of Total Fund Assets %	Balances at 31 March 2016 £000s	Percentage of Total Fund Assets %

533,277	18.2	562,268	19.5

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 2016 are due within one year.

Refinancing Risk

The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury and investment strategies.

18. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2013. The valuation as at 31 March 2016 is currently underway. The results of the March 2016 Valuation will be available for 31 March 2017.

The funding policy is set out in the administering authority's Funding Strategy Statement. The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by council tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet the expected future pension benefits payable. When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	Funded %	**Deficit £ millions**
2013 actuarial valuation	78%	705
2010 actuarial valuation	80%	486

The common contribution rate is 29.6% of payroll (2010 22.4%). The employer contribution rates payable (plus cash sums as applicable) arising from the 2013 Valuation are as follows:

Year	**Employers Contribution Rates (% of actual pensionable pay)**
1 April 2014 to 31 March 2015	Range from nil to 28.6
1 April 2015 to 31 March 2016	Range from nil to 28.6

1 April 2016 to 31 March 2017	Range from nil to 28.6

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 2013 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 2013

Investment Return (discount rate)	**% per annum Nominal**	**% per annum Real**
Discount Rate	4.6	2.1
Salary Increases	3.3	0.8
Price Inflation/Pension Increases	2.5	0

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_2010 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	24.3 years
Future Pensioners (current age 45)	24.5 years	26.9 years

Please note that the assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2013 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.

19. Actuarial Present Value of Promised Retirement Benefits

Under IAS26 the Fund is required to disclose the actuarial present value of promised retirement benefits. These represent the present value of the whole fund liabilities to pay future retirement benefits.

The required valuation is carried out by the Hymans Robertson LLP using a similar approach to that employed for individual participating employers reporting pension liabilities under either FRS17 or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

Under the IAS 19/FRS17 basis reporting is produced using the same base data as the last completed funding valuation rolled forward to the latest reporting date, taking account of material changes in membership numbers and updating assumptions to the current year and requirements of the reporting approach.

In order to assess the value of the benefits on this basis, the Fund Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18).

	31 March 2015 £000s	31 March 2016 £000s
Actuarial present value of promised retirement benefits	4,451,000	4,162,000

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

Assumptions Used	31 March 2015 %	31 March 2016 %
Inflation/Pension Increase Rate Assumption	2.4	2.2
Salary Increase Rate	3.3	3.2
Discount Rate	3.2	3.5

20. Current Assets

	31 March 2015 £000s	31 March 2016 £000s
Cash In Hand		
Cash In Hand**	**1,787**	**2,768**
Debtors:		
Contributions due - employees*	2,163	1,964
Contributions due - employers*	6,912	8,215
Employers special contributions	11	13
Augmentation & strain due	562	1,033
Dividends receivable**	3,175	2,973
Pooled funds rebate due**	1,480	1,461
UK tax receivable	163	215
Overseas tax receivable	743	572
VAT refund due	469	390
Interest due**	3	3
Stock lending/commission recapture**	10	18
Recharge of fees**	30	34
Prepayments	2	1
Sundry**	16	64
Debtors	**15,739**	**16,956**
Current Assets	**17,526**	**19,724**

* 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 2015 £000s	31 March 2016 £000s
Long term debtors:		
Employers contributions	8,406	5,532
Augmentation & strain due	8	113
	8,414	**5,645**

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 2015 £000s	31 March 2016 £000s
Central government bodies	9,076	7,707
Other local authorities	6,288	6,026
Other entities and individuals	8,789	8,868
	24,153	**22,601**

21. Current Liabilities

	31 March 2015 £000s	31 March 2016 £000s
Creditors:		
Transfer values payable (leavers)	22	363
Benefits payable	596	1,009
Investment Management Fees**	3,568	3,224
Other Fees & Charges**	2,253	2,242
UK Taxation payable	992	1,035
Sundry creditors**	13	10
	7,444	**7,883**

** Creditors classed as financial instruments (liabilities) note 16a

Analysis of Creditors

	31 March 2015 £000s	31 March 2016 £000s
Central government bodies	1,004	1,035
Other local authorities	2,120	2,399
Other entities and individuals	4,320	4,449
	7,444	**7,883**

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 2015 £000s	Market Value 31 March 2016 £000s
Separately Invested AVC Funds	5,161	4,904

	2014-15 £000s	2015-16 £000s
AVC contributions paid directly during the year	372	387

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.

	2014-15 £000s	2015-16 £000s
Norfolk County Council incurred administration and investment costs reimbursed by the fund	2,120	2,036
Norfolk County Council Employer Contributions	38,145	40,359

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.

	2014-15 £000s	2015-16 £000s
Average investment balance held by NCC Treasury Management Operation	7,212	8,170
Interest earned on balances invested by NCC Treasury Management Operation	40	38

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. Declarations of interest are recorded in the minutes of each Committee meeting as part of the public record and a copy can be found on the Norfolk County Council website under Pension Committee papers at www.norfolk.gov.uk.

Personnel Employed in the Delivery of the Pensions Function by the Administering Authority

All employees of Norfolk County Council (other than those whose profession grants them access to other public service schemes) may join the Local Government Pension Scheme. This includes personnel employed in delivering the pensions function through the Norfolk Pension Fund. Benefits are accrued and employee contributions calculated on a standard national, statutory basis.

Disclosure of senior officer remuneration is made in note 0 of the Statement of Accounts of the Administering Authority (Norfolk County Council). This disclosure includes the Executive Director of Finance who has responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and holds the role of Fund Administrator.

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2015 £000s	31 March 2016 £000s
Private equity partnerships	84,098	140,255
Property investment vehicles	22,400	11,500

At 31 March 2016 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 2016 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, Australian Dollar and US Dollar denominated commitments, currently one unfunded commitment in USD as at 31 March 2016. The foreign exchange exposure on the funded portion of these positions is hedged within the Aviva portfolio but the unfunded commitments are impacted by exchange rate volatility.

25. Contingent Assets

The Administering Authority holds charges on property, relating to funding agreements put in place with one employer following the 2010 Valuation. This agreement allows the employer to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. In the event that the employer that is party to the agreement fails to pay contributions due to the Fund at any point in the future these charges may be invoked. The total charges on one property is £0.233 million (£0.233 million). There are no new agreements resulting from the 2013 Valuation.

26. Agency Contracted Services

The Norfolk Pension Fund pays discretionary awards to the former employees of Norfolk County Council, the district councils and fourteen 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 2015 £000s	31 March 2016 £000s
Norfolk County Council	1,343	1,311
Norwich City Council	1,217	1,206
North Norfolk District Council	267	265
Borough Council of Kings Lynn & West Norfolk	258	250
Great Yarmouth Borough Council	212	205
Broadland District Council	108	108
Breckland District Council	105	103
South Norfolk District Council	63	60
Other	153	131
	3,726	3,639

27. Statement of Investment Principles and Funding Strategy Statement

The Norfolk Pension Fund has a published Statement of Investment Principles including details of our compliance with recognised good investment practices and a Funding Strategy Statement which is a summary of the Funds' approach to funding liabilities.

Both documents can be found on the Internet at the following location:

http://www.norfolkpensionfund.org/AboutUs/Pages/Formsandpublications.aspx

Alternatively a copy can be obtained from the Norfolk Pension Fund:

Norfolk Pension Fund
Floor 4 Lawrence House
5 St Andrews Hill
Norwich NR2 1AD
Telephone: 01603 222995

Participating Employers (employers with active members during the year)

Major Scheduled Bodies

Borough Council of King's Lynn & West Norfolk
Breckland Council
Broadland District Council
Great Yarmouth Borough Council
Norfolk Chief Constable
Norfolk County Council
North Norfolk District Council
Norwich City Council
NPS Property Consultants Ltd
South Norfolk District Council

Scheduled & Resolution Bodies

Acle Academy
Acle Parish Council
Admirals Academy
Alive Management Ltd
All Saints Academy
Anthony Curton Primary School
Antingham & Southrepps Community Primary School
Arden Grove Infant and Nursery Academy
Attleborough High School Academy
Attleborough Town Council
Aylsham Town Council
Beighton Parish Council
Belton with Browston Parish Council
Blofield Parish Council
Bradwell Parish Council
Broads (2006) Internal Drainage Board
Broads Authority
Brundall Parish Council
Buxton With Lamas Parish Council
Caister Academy
Castle Acre Church of England Primary School
Cawston Parish Council
Cherry Tree Academy Marham Junior
Cherry Tree Academy Trust Marham
Cherry Tree Academy Marham Infant
City Academy Norwich
City College Norwich
City of Norwich School
Clenchwarton Primary School
Cliff Park Ormiston Academy
Cliff Park Schools Trust Ltd
Cobholm Primary Academy
Colkirk Church of England Primary School
College of West Anglia
Costessey Infant School Academy
Costessey Junior School Academy
Costessey Town Council
Cringleford Parish Council
Cromer Academy Trust
Cromer Town Council
Dereham Church of England Junior Academy
Dereham Town Council
Dersingham Parish Council
Diamond Academy
Diss High School Academy
Diss Town Council
Ditchingham Church of England Primary Academy
Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Mulit-Academy Trust)
Downham & Stow Bardolph Internal Drainage Board
Downham Market Academy
Downham Market Town Council
Duchy of Lancaster Methwold Church of England Primary Academy

East Norfolk Sixth Form College
East of Ouse, Polver & Nar Internal Drainage Board
Eastern Inshore Fisheries and Conservation Authority
Eastgate Academy
Easton and Ottley College
Eaton Hall Specialist Academy
Eaton Primary School
Edith Cavell Academy
Engage Educational services
Fakenham Academy Norfolk
Fakenham Town Council
Filby Primary School
Flegg High School
Flitcham Church of England Primary Academy
Framingham Earl Parish Council
Garveston, Remerston and Thuxton Parish Council
Gillingham St Michael's Primary
Gooderston Church of England Primary Academy
Great Snoring Parish Council
Great Witchingham Church of England Primary School
Great Yarmouth College of Further Education
Great Yarmouth Norse
Great Yarmouth Primary Academy
GYB Services Ltd
Harling Parish Council
Heart Education Trust
Heartease Primary Academy
Hellesdon High School Academy
Hellesdon Parish Council
Hemblington Parish Council
Hethersett Academy
The Hewett Academy
Hilgay Riverside Academey
Hindolveston Parish Council
Hobart High School Academy
Hockering Primary Academy
Holt Town Council
Hunstanton Town Council
Iceni Academy
Inspiration Trust
Jane Austin College
Kettlestone Parish Council
King Edward VII Academy
King's Lynn Academy
King's Lynn Internal Drainage Board
Kings Lynn Internal Drainage Board (Water Management Alliance)
Kirby Cane and Ellingham Parish Council
Lingwood and Burlingham Parish Council
Lingwood Primary Academy
Little Snoring Parish Council
Loddon Parish Council
Lynn Grove High School Academy
Marshland High School
Marshland St James Primary School
Martham Parish Council
Martham School Trust
Mattishall Parish Council
Middleton Primary School
Moorlands Church of England Primary Academy
Mundford Church of England Primary
Nar and St Clement's Children's Centre
Narborough Church of England Primary Academy
NCS (Assistive Technology)
NCS Transport Ltd
Nelson Academy
Norfolk Educational Services (NES)
Norfolk Police and Crime Commissioner
Norfolk Rivers Internal Drainage Board
Norman Church of England Primary School
Norse Care Limited
Norse Care Services
Norse Commercial Services
Norse Eastern
North Walsham Town Council
Northgate High School
Northrepps Parish Council
Norwich Norse
Norwich Primary Academy
Norwich Road Academy
Norwich University of the Arts

Notre Dame High School Academy
NPS (London) Ltd
NPS (Norwich) Ltd
NPS (South East) Ltd
NPS (South West) Ltd
Old Catton Parish Council
Open Academy - Heartsease
Ormiston Herman Academy
Ormiston Venture Academy
Ormiston Victory Academy
Paston College
Peterhouse Primary School
Poringland Parish Council
Rackheath Parish Council
Redenhall with Harleston Town Council
Reepham High School and College
Right for success Academy Sponsorship Trust
Runcton Holme Church of England Trust
Saxlingham Nethergate Parish Council
Sculthorpe Church of England Primary School
Sewell Park Academy
Sheringham High School Academy
Sheringham Town Council
Short Stay School for Norfolk
Sir Isaac Newton Free School
Snettisham Parish Council
Snettisham Primary School
South Wootton Parish council
Southery Academy
Southery & District IDB
Spixworth Parish Council
Sporle Church of England Primary School
Springwood High School Academy Trust
Sprowston Town Council
Stt Andrews Primary School
St Clements High School Academy
St Martin at Shouldham Church of England Primary Academy
St Mary's Church of England Junior School Academy
St Michael's Churh of England Academy King's Lynn
St Peter & St Paul Carbroke Church of England Primary Academy
St Peters Church of England Primary Academy
Stalham Academy
Stalham High School
Stalham Town Council
Stradbroke Primary
Suffolk Coastal Services
Swaffham Church of England Junior School
Swaffham Town Council
Swanton Morley Parish Council
Tasburgh Parish Council
Taverham High School
Taverham Parish Council
Ten Nile Bank Community Primary School
The Free School Norwich
The Howard Junior
The Nicholas Hamond Academy
Thetford Academy
Thetford Free School
Thetford Town Council
Thomas Bullock Primary
Thorpe St. Andrew Town Council
Tilney All Saints VC Primary School
Trowse with Newton Parish Council
Tuckswood Academy and Nursery
Upton with Fishley Parish Council
Village Green Children's centre
Village Green Nursery
Wayland High School Academy
Wayland Junior Academy Watton
Weeting VC Primary School
Wells-Next-The-Sea Town Council
Wensum Junior School
West Lynn Primary
West Raynham VC Primary School
Whitefriars Church of England Primary Academy
Woodlands Primary Academy
Wormegay Primary
Wymondham College Academy
Wymondham High Academy
Wymondham Town Council

University Technical College Norfolk

Admitted Bodies

4Children
Action for Children (Dereham)
Action for Children (Hethersett)
Action for Children (Thorpe)
Action for Children (Wells)
Age UK Norfolk
Alive Leisure Trust
Anglia Maintenance Services
Biffa Municipal Ltd
Childhood First
Circle Anglia Limited
Edwards and Blake
Edwards and Blake (Neatherherd High)
New Anglia Enterprise Council Partnership (Local Enterprise Partnership)
Norfolk Heritage Fleet Trust
Norwich Airport Limited
Pre School Learning Alliance (Milestones)
Pre School Learning Alliance (Thorpe)
RM Education
Edwards and Blake (Nicholas Hammond)
Flagship Housing Group
Freebridge Community Housing Ltd
Great Yarmouth Community Trust
Great Yarmouth Port Authority
Great Yarmouth Port Company
Great Yarmouth Racecourse Ltd
Hethel Innovation Ltd
Independence Matters
Kier Support Services
Konectbus Ltd
Lafarge Tarmac
Mid Norfolk Citizens Advice Bureau
Saffron Housing Trust Limited
Sentinel Leisure Trust
Serco Government Services
Stonham
The Matthew Project
Victory Housing Trust

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

AMORTISATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible Long Term asset.

AMORTISED COST

This is cost that has been adjusted for amortisation.

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.

Norfolk County Council Summary Statement of Accounts 2015-16

The Council produces an annual Statement of Accounts (the accounts) which reports on the Council's financial performance and shows the assets and liabilities of the Council at the year end. The accounts, which are a statutory document conforming to the Code of Practice on Local Authority Accounting, received an unqualified audit opinion on [27] September 2016.

This document is a summary of the full Statement of Accounts and gives a brief overview of the Council's financial performance and position for the year ending 31 March 2016. For this purpose it relates to the Council only and not the Group (which includes the Norse Group and Independence Matters). The full Statement of Accounts is prepared in accordance with international accounting standards, so to help make this summary easier to understand some of the presentation has been simplified.

Summary of the Authority's Financial Position for 2015-16

Norfolk County Council's approved revenue budget for 2015-16 was set at £318.4m. At the end of the year there was a net underspend of £0.052m which was transferred to the General Fund.

The Balance Sheet shows net assets of £261.6m after accounting for a liability for its defined benefit pension schemes of £871.0m.

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

Norfolk County Council continues to face a highly challenging financial environment as a result of the effects of the wider economic climate. Since 2011, the Council's settlement funding assessment (SFA) from central government has been cut by £161m, with the largest annual cut to funding in 2015-16 amounting to £38.7m.

The Council has tried to minimise the impact of funding reductions on council tax payers and users of its services by achieving efficiency savings within the organisation. However the reduction in funding has led to some unavoidable reductions in services.

The final Local Government Finance Settlement in February 2016 confirmed further reductions in government funding, with the Council receiving a 12.9% reduction in its SFA for 2016-17, compared to adjusted 2015-16 figures. Looking ahead, the Council anticipates that Revenue Support Grant will cease by 2019-20, balanced in part by changes to the way Business Rates are distributed.

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

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

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

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

Norfolk County Council, County Hall, Norwich NR1 2DW

Norfolk County Council Summary Statement of Accounts 2015-16

What we spent in 2015-16

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

	2015-16 Gross Expenditure £m	2015-16 Income £m	2015-16 Net Expenditure £m	2014-15 Net Expenditure £m
Service Income and Expenditure				
Adult Social Care	401.3	120.6	280.7	300.8
Education and Children's Services	622.6	428.0	194.6	192.1
Highways and Transport Services	90.5	15.3	75.2	75.4
Fire and Rescue Services	29.8	1.9	27.9	33.6
Cultural, Environmental & Planning Services	86.0	21.1	64.9	69.6
Public Health	39.5	38.3	1.2	(2.4)
Other Services, Corporate and Non Distributed Costs	4.0	2.1	1.9	(2.1)
Total Cost of Services	**1273.7**	**627.3**	**646.4**	**667.0**
Other Operating Income and Expenditure*			**152.0**	**175.0**
Revenue Support and Unringfenced Grants (from Central Government)			(172.2)	(200.3)
Business Rates			(140.2)	(138.1)
Council Tax			(317.5)	(313.0)
Capital Grants and Contributions			(94.2)	(102.0)
Taxation and Non Specific Grant Income			**(724.1)**	**(753.4)**
(Surplus)/Deficit on the provision of services taken to General Fund			**74.3**	**88.6**

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

Impact on the General Fund

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

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

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

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

	£m
General Fund Balance at 31 March 2015	**19.000**
Use of funds for one off purposes: increase in general Balances agreed as part of 2015-16 budget setting	0.200
Net underspend 2015-16	0.052
General Fund Balance at 31 March 2016	**19.252**

Norfolk County Council Summary Statement of Accounts 2015-16

The County Council's Balance Sheet as at 31 March 2016

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

	31 March 2016 £m	31 March 2015 £m
Land, buildings, vehicles, equipment and infrastructure	1,561.1	1562.8
Inventories	0.5	0.5
Cash and bank balances	51.3	64.0
Investments	139.2	128.1
Money owed to the Council		
Within 12 months	109.9	122.3
After 12 months	22.0	12.9
Less: Money owed by the Council		
Within 12 months	(159.2)	(150.9)
After 12 months	(592.2)	(599.2)
Net Assets before Pension Adjustment	**1,132.6**	**1,140.5**
Less: Pension Liability	(871.0)	(1,086.6)
Net Assets	**261.6**	**53.9**
Financed by:		
Cash backed (usable) reserves	216.7	221.5
Non cash backed (unusable) reserves	915.9	919.0
Financing before Pension Adjustment	**1,132.6**	**1, 140.5**
Less: Pension Liability Reserve	(871.0)	(1,086.6)
Total Reserves	**261.6**	**53.9**

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

Earmarked reserves are amounts set aside by the Council to meet specific future spending requirements. Total balances in earmarked reserves were £103.1m at 31 March 2016. The largest reserve is the LMS account, which represents £21.3m net accumulated unspent surpluses or deficits held by schools which are not available to the Council for general use. Other large reserves include monies set aside for highways maintenance and information technology projects. The decrease in the level of earmarked reserves (net £5.2m) is mainly due to significant use of Adult Social Care, ICT, and schools contingency reserves plus a net use of earmarked grants and contributions. Net balances would have decreased significantly more had it not been for the creation of a new £10.7m Business Risk Reserve resulting from a change in the way the Council's Minimum Revenue Provision is calculated.

Details showing the movements in and out of the reserves, and a narrative explaining the purpose of each reserve can be found in note 8 to the full Statement of Accounts.

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

The Pension Liability in the table above is a snapshot as at 31 March 2016 of the unfunded pension liability calculated in accordance with statutory regulations in relation to existing and former employees. Because these pension costs do not have to be met in full in the short term, they are offset by a notional Pension Liability Reserve.

Norfolk County Council Summary Statement of Accounts 2015-16

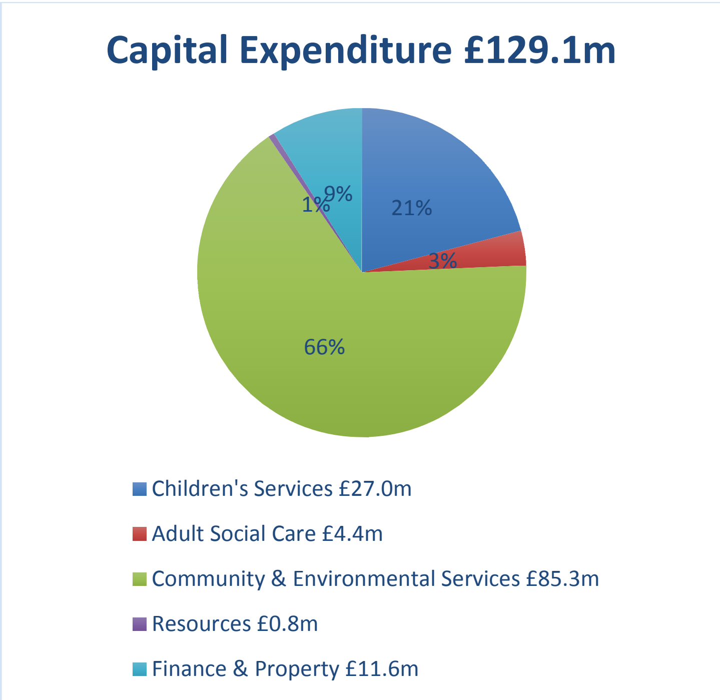
Capital Investment 2015-16

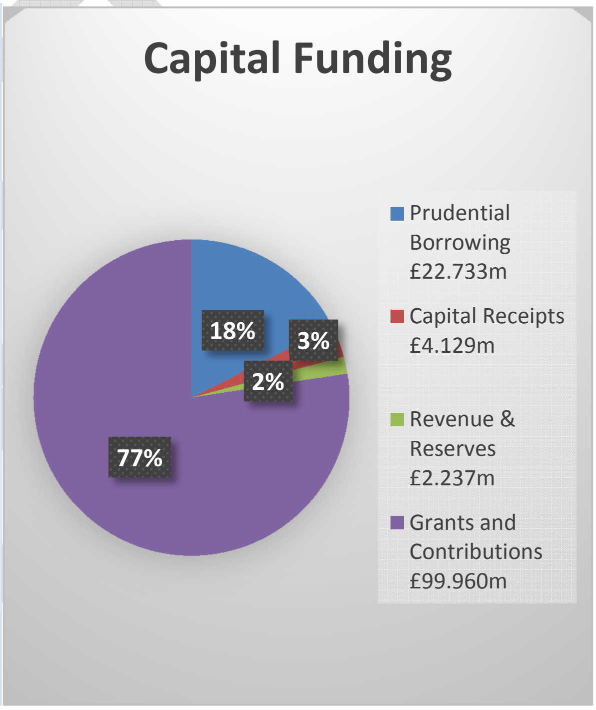
Capital investment generally represents money spent by the Council on purchasing, upgrading and improving assets such as buildings and operational equipment.

In 2015-16, £129.1m was spent on the capital investment programme. The main sources of finance were grants and contributions, plus contributions from revenue and reserves. Borrowing requirements were met from internal sources during 2015-16 and amounted to £22.7m.

Major projects in the programme included:

- The Norwich Northern Distributor Road, with construction starting in January 2016
- The A47 Postwick Hub, open to traffic in late 2015
- Schools: increased and improved permanent accommodation
- Highways and bridge maintenance schemes
- Continued development of the Scottow Enterprise Park (former RAF Coltishall site)
- Better Broadband
- Near completion of a major refurbishment of County Hall.





Audit Committee

Item No 10

Report title:	**Letters of Representation 2015-16**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

This report provides details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2015-16.

Executive summary

Letters of representation covers matters material to the financial statements and possible non-compliance with laws and regulations.

The Executive Director of Finance has, following consultation with Departmental Chief Officers, written the letters in accordance with audit requirements. One letter covers the Norfolk County Council statement of accounts and is attached as an appendix to this report. A second letter covers the Norfolk Pension Fund only and will be forwarded to this committee for approval following consideration by the Norfolk Pensions Committee.

The letters are provisionally dated 27 September 2016, which may be amended to no later than 30 September.

The auditors require that the letters are signed by persons with specific responsibility for the financial statements, which for this Council is the Executive Director of Finance, and formally acknowledged as being correct by "those charged with governance" by being signed by the Chairman of the Audit Committee in the case of the Norfolk County Council letter, and by the Chairman of the Pensions Committee in respect of the Pension Fund. Council has delegated responsibility for approving the Statement of Accounts and endorsing the letters of representation to the Audit Committee.

Recommendations

The Audit Committee is requested to endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council, and that the Chairman of the Audit Committee and Executive Director of Finance sign the letter attached on behalf of the Council.

1. Introduction

This report introduces the letters of representation of Norfolk County Council and of Norfolk Pension Fund for 2015-16.

2. Evidence

The text of a Letter of Representation for the Council is attached as Appendix 1. A Letter of Representation for the Norfolk Pension Fund is attached as Appendix 2 following the 6 September 2016 Pensions Committee.

3. Financial Implications

3.1 The Letters of Representation are part of the External Auditing requirements for the 2015-16 Statement of Accounts. The Statement of Accounts is covered elsewhere on this agenda.

4. Issues, risks and innovation

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

5. Background

5.1 The Council's auditors require the Council to sign a letter of representation to enable them to conclude their audit work.

Officer Contact

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

Name	Telephone Number	Email address
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 Agenda 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 1

Letter of Representation (Norfolk County Council) 2015-16

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
Fax Number: 01603 222811
Email: howard.jones@norfolk.gov.uk

27 September 2016

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 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Council financial position of Norfolk County Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities under the relevant statutory authorities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

2. We acknowledge our responsibility for the fair presentation of the Group and Council financial statements. We believe the Group 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 2015-16 and are free of material misstatements, including omissions. We have approved the Group and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the financial statements.
4. We confirm that the Responsible Officer has:
   - Reviewed the accounts
   - Reviewed all relevant written assurances relating to the accounts, and
   - Made other enquiries as appropriate.
5. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16, that are free from material misstatement, whether due to fraud or error.
6. We believe that the effects of the unadjusted audit difference, summarised in Annex 1, identified during the current audit and pertaining to the latest period presented is immaterial to the financial statements. This item is the result of the way that the values of certain assets have been split into separate components for the purpose of calculating depreciation and does not affect earmarked reserves or general balances. As the change affects a large number of underlying records, the resource required to update and reconcile each of these records is considerable in relation to the non-material nature of the difference and the proportion of asset value represented. A revised method of calculating depreciation on componentised assets will be implemented for 2016-17 and beyond.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
   - Additional information that you have requested from us for the purpose of the audit and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements
3. We have made available to you all agendas and minutes of the meetings of the Council and its committees (or summaries of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2016.
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 related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions that we have used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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

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

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

F. Subsequent Events

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

G. Accounting Estimates

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

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

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Segmental Reporting

1. We have reviewed the operating segments reported internally to the Council and are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8:Operating Segments, they are similar in each of the following respects:

- The nature of the products and services
- The nature of the production/service delivery processes
- The type or class of customer for products and services
- The methods used to distribute products and services.

I. 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.

J. 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.

K. Use of Management Experts

1. We agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts 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 experts.

.

L. Group Audits

1. All necessary adjustments have been made to eliminate all material intra-group transactions amongst parent, subsidiary undertakings and associated undertakings.

Yours faithfully

Simon George, Executive Director of Finance

I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 22 September 2016

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Annex 1 – Uncorrected audit difference

Effect on Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
CIES - Statement of comprehensive income and expenditure – Cost of Services		618
BS - Property, Plant and Equipment	(1,210)	
Movement in Reserves Statement – Adjustments between accounting basis and funding basis		(618)
BS - Capital Adjustment Account	1,210	
Cumulative effect of unadjusted differences	**0**	**0**

Norfolk Pension Fund

Delivering the Local Government Pension Scheme in Norfolk

INVESTOR IN PEOPLE

LGC Investment Awards 2014 WINNER

lgps 2014

PENSION SCHEME OF THE YEAR AWARDS 2014 FINALIST

Appendix 2

Letter of Representation (Norfolk Pension Fund) 2015-16: for information only: endorsed at 6 September 2016 Pensions Committee

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

27th September 2016

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

This letter of representations is provided in connection with your audit of the financial statements of Norfolk Pension Fund ("the Pension Fund") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2016 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 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and for keeping records in respect of

contributions received in respect of active members of the Pension Fund and for making accurate representations to you.

2. We confirm that the Pension Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Pension Fund should change.

3. We acknowledge, as members of management of the Pension 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 Pension Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.

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

5. As members of management of the Pension Fund, we believe that the Pension 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 2015/16, that are free from material misstatement, whether due to fraud or error.

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

B. Fraud

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

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

3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Pension Fund (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

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

4. We have made available to you all minutes of the meetings of the Norfolk Pension Fund Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 14th June 2016.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Pension 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.

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

7. No transactions have been made which are not in the interests of the Pension Fund members or the Pension Fund during the Scheme years or subsequently.

E. Liabilities and Contingencies

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

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

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation

and claims, both actual and contingent.

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

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

2. Results of the European Union Referendum - Following the United Kingdom's vote to leave the European Union (EU) in the EU referendum on 23 June 2016 there has been an increased level of volatility in the financial markets and macroeconomic uncertainty in the UK. The immediate volatility is expected to continue into the medium term. There is likely to be uncertainty for a number of months while the UK renegotiates its relationship with the EU and other nations. For the purpose of these financial statements, the Referendum is considered a non-adjusting event.

G. Advisory Reports

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

H. Independence

1. We confirm that no trustee 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.

I. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the Pension Fund Committee of the limitations in their use imposed by The Occupational Pension Scheme (Investment) Regulations 2005; namely that they contribute to a reduction in scheme risk, facilitate efficient portfolio management, and that any such investment has been made so as to avoid excessive risk exposure to a single counterparty and to other derivative operations. The Pension Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.

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

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

J. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2013 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/her report.

K. Accounting Estimates

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

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

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

   - We confirm that the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

   - We confirm the significant assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

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

L. Investment managers' control reports ISAE 3402

1. The latest reports available do not cover the whole of the 2015/16 audit year. We confirm we are not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours faithfully,

____

(Executive Director of Finance)

____

(Chairman of the Pension Committee)

Audit Committee

Item No 11

Report title:	**Revised Internal Audit Plan 2016-17**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, part 4.1 (4.4) page 9, which is part of the Council's Constitution Article 6, at page 5.

The Audit Committee should, 'Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice'.

Executive summary

The Audit Committee agreed the Internal Audit Strategy and Plan for 2016-17 (page 114) in January 2016. The proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2015). It is good practice to refresh the plan at the half year stage, to ensure it is current.

The key messages from the refresh are:

- The strategy to deliver 1,336 budgeted days (including work for External Clients) and of that 709 budgeted days for work to directly support the Council's audit opinion (**Appendix A**) remains unchanged. The opinion work is considered sufficient as it covers the essential elements of governance, internal control, financial management and risk management. The planned opinion work is oversubscribed by 92 days. The strategy also allows for delivering 80 days traded schools work (2.6)

- The revised Internal Audit plan for 2016-17 (**Appendix Bi**) has an oversubscription of 92 days to allow for potential cancellations and 'recycling' additional income from traded schools audit work (2.7)

- Topics already identified that will not be covered in the remainder of this year (deferred audits **Appendix Bii)** will be carried forward to the next years audit planning as a priority for consideration (2.12)

- There was significant work in progress from the first half of the 2016-17 year carried into the second half. There were several unexpected issues impacting the delivery of audits (see Evidence 2.9) and (Appendix B)

- It is planned that final report and draft reports for the revised 2016-17 audit plan will total **30 and 7** respectively, to be reported on in the 2016-17 Annual Internal Audit Report. It is planned that all 2015-16 carried forward work will be issued at final within year (2.15)

Recommendation:

The Committee is asked to note:

- That internal audit's strategy and plan, contribute to an effective system of internal audit and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice
- That the Internal Audit Strategy remains the same for the second half of the year (**Appendix A**). The actual days available within the strategy to deliver the audit opinion work remain sufficient to support the opinion
- The revised Internal Audit Plan to support the opinion for the whole year (**Appendix Bi**) remains at 709 days, which includes contractor time. The opinion work plan will be managed flexibly to support the traded schools approach, while the service continues to develop. Some audits timed for Quarters 1 and 2 are carried into the remainder of the year as work in progress
- the three year Internal Audit Strategy , (page 114) agreed in January 2016, remains largely unchanged and will be refreshed in January 2017
- The overall target for 2016-17 final reports and draft reports for audits are 30 and 7 respectively, to be reported on in the Annual Internal Audit Report.

1. Proposal (or options)

1.1 The recommendation is set out in the Executive Summary above.

1.2 The Chairman of the Audit Committee and County Leadership Team have been consulted in the preparation of this report.

2. Evidence

2.1 Audit planning focusses the available resources on the necessary activity to provide sound assurance as required by the relevant regulations. The plan brings together the people (resources) and the standards to ensure and efficient and effective function. The approach to refreshing the Internal Audit Plan has been to:

- Consider the overall assurance objectives in 2016-17 (para 2.2)

- Consider the available resources to support:

  - the Audit Strategy for 2016-17 (para 2.6)
  - the Audit Opinion work for 2016-17 (para 2.7)

- Consolidate and reconcile the required audit opinion work from:

  - Work in progress from Quarter 1 and Quarter 2 of 2016-17 (para 2.9)
  - Original planned work for the remainder of the year (para 2.11)
  - Work no longer required or deferred (para 2.12)
  - New work required in 2016-17,following the audit needs assessment refresh (para 2.13)

- Consult with County Leadership Team and Service Heads

2.2 The overall assurance objectives remain the same. The planned internal audit work will make a significant contribution to the Council's priorities and be reported in our annual internal audit report in June 2017. The plan makes adequate provision for the risks arising from organisational change, the continued economic downturn and that resources are sufficient to accomplish the reduced plan.

2.3 The opinions we provide through our audit work and strategy will demonstrate the following topics all being 'better off':

- Corporate Ambitions
- Annual Governance Statement
- Sound Operations
- Risk Management for Reputational Damage
- Risk Management for Financial Loss (Financial Resilience)
- Risk Management for Financial Loss (Financial Management)

2.4 The top six risk priorities of Norfolk Audit Services activity remain as presented in the Internal Audit Strategy for 2016-2019 agreed by Committee in January 2016:

- <u>That key NCC management systems are fit for purpose</u>

- That sound financial management, <u>resilience</u> and governance are in place, that there is compliance and where exceptions occur they are identified and treated in a timely manner. <u>This risk is expanded to include where services may not ensure value for money</u>

- The risks associated with transformational change in the organisation are managed. That change objectives (organisational and financial) are met and internal controls and savings are maintained during and after that change

- Anti-Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy and the CIPFA Code)

- That assets, physical and information, are secured and controlled effectively, including data quality

- That Commissioning, Procurement and contract management are well governed and achieve value for money.

2.5 The original agreed internal audit strategy scope remains largely the same, as set out in **Appendix A**.

2.6 The resourcing of the overall Audit Strategy has been reviewed:

- The overall target budget for the team was reviewed, translating that to an appropriate staffing model which provides the number of audit days available from the team and adding up to 100 days of contractor time

- Those available days are then matched to the overall audit strategy thus identifying the available days to support the audit opinion for the Council in the period.

- The original total audit strategy days (1,336 days) were calculated on the basis of us successfully recruiting to our vacant Senior Auditor roles. We were unable to recruit at Senior Auditor level as originally planned, so agreed a new staffing strategy which included recruiting two new Auditors.

- The two new full time Auditors started in April 2016 and have been making a positive contribution and are being 'fast tracked' and have undertaken the Institute of Internal Auditors professional training 'introduction to internal auditing'.

- Our new staffing strategy includes a new post of Investigative Auditor to manage any unplanned reactive investigative work. Plans for the Investigative Auditor post have been put on hold whilst there is uncertainty over the Brexit outcome and the impact this may have on our role as Audit Authority for the France Channel European programme.

- An experienced Senior Auditor returns from maternity leave in November 2016; and

- We plan to continue to use an Audit contractor temporarily to provide up to 100 days of audit resource. This gives us greater flexibility and resilience.

2.7 The resourcing of the Council's Internal Audit opinion days has been reviewed:

- The overall physical capacity of the Internal Audit remains as per the original opinion day's plan of 709 days

- The revisions made to the detailed plan at **Appendix Bi** are purely in relation to the audit topics to be undertaken which have been considered on a risk assessed basis.

- We have had to increase the number of audit days for finalisation of 2015-16 audits, which count as audit opinion days (20% of audit work was carried forward) which was previously under-budgeted (an increase from 15 days to 100 days)

- The remainder of the days (less 2017-18 planning and following up Corporate High priority Findings) are shared between the departments.

2.8 The approach to applying the resources to the audit opinion work is set out below.

2.9 The Work in Progress from Quarter 1 and Quarter 2 of 2016-17 the days will be deployed to complete that work as a priority, the work in the quarter has covered the following:

- Of the 372 audit opinion days total for Quarter 1 (Actual) and Quarter 2 (estimated) (See **Table 2**):

    - 88 days were spent on delivering the completion of audit opinion work that related to the 2015-16 audit plan. That is because there were 22 audits from the 2015-26 audit plan where work did not commence until late in the year due to a combination of client request and availability of NAS resource and these subsequently needed completion during 2016-17

    - 12 days have been included in quarter 2 for completion of all 2015-16 audit opinion work

    - 25 days were taken by unplanned minimum working wage work

    - preparation and support for the ICO visit and investigatory work

    - A significant investment was also made in introducing a self-certification process for the 2015-16 Annual Governance Statement which should see time savings due to more efficiencies in subsequent years

    - Higher than expected sickness absence, which has delayed the timings of some audits.

2.10 Delivery of work during quarter 1 was in line with the internal audit strategy, although 88 of the days were for audit opinion work relating to the 2015-16 audit plan. Actual delivery for quarter 1 and planned and revised delivery for quarters 2, 3 and 4 are shown in Table 1 below.

Table 1 – Revision to the Audit Opinion days per quarter 2016-17

	Q1	**Q2**	**Q3**	**Q4**	**Over subscription**	**Total**
Planned opinion days	184	185	170	170		709
Actual for Q1 and revised for Q2,3 & 4 opinion days	185	167	178	179		709

2.11 Original planned work for the remainder of the year is shown in **Appendix Bi.**

2.12 Work no longer required or deferred (345 days) is listed at **Appendix Bii** and total days shown in **Table 2** below.

2.13 New work identified from new risk areas (253 days) that have been identified are included in the revised plan and highlighted in **Appendix Bi as '[NEW]'** and the days are shown in **Table 2** below. The key new topics that have been added include:

- Adult Services
    - Better Care Fund (Governance Arrangements)
    - National Minimum Wage Work (Phase 1 and 2)
- Children's Services
    - Financial Governance in Schools
- Resources
    - Audits to support the Annual Governance Statement
    - Health and Safety – Norfolk Fire and Rescue Service
    - Contract Standing Orders Compliance
    - Information Management Strategy
    - Information Commissioner's Visit support
- Finance
    - Wholly Owned Company Controls

2.14 The overall changes to the original internal audit plan days, agreed by the Committee in January 2016, are described in **Table 1** below.

Table 1 – Changes to the Internal Audit Strategy and Audit Opinion Days 2016-17 (See Appendix A)

Changes	**2016-17 Days**
Original agreed delivery of audit strategy budgeted days	1,336
Plus increase in detailed plan of audit opinion days (oversubscribed)	92
Revised delivery of overall audit strategy plan days	1,428
Original agreed audit opinion budgeted days (See Table 2 below)	709
Plus increase in detailed plan of audit opinion days (oversubscribed)	92
Revised audit opinion plan in days (oversubscribed) = Appendix Bi total	801

Table 2 - Reconciliation of planned 'audit opinion days' 2016-17

Changes to opinion days	Days
Original agreed audit plan days from January 2017 (note this was 184 oversubscribed. Without the oversubscription this was 709 days)	893
Additional new audit plan days onto the original plan marked [NEW] in Appendix Bi (2.13)	253
Less deferred audit plan days taken from the original plan at Appendix Bii (2.12)	(345)
Revised total audit planned days at Appendix Bi	**801**
Less oversubscription	(92)
Total original agreed audit budget days (see Table 1 above)	**709**

2.15 Based upon the Actual and Revised total of 709 days in **Table 2**, the target for final report and draft reports for audits at year end are 30 and 7 respectively (with 10 audits being work in progress at year end), to be reported on in the Annual Internal Audit Report. It is expected to achieve 100% of these targets. The average days per audit is therefore 15 days.

2.16 We continue to develop our traded services to schools and reported the positive outcomes of these in our annual report. 80 days has been allowed within the strategy to deliver traded school audits, and as at 31 July 2016, 19 schools have either received or booked a traded audit during 2016-17.

2.17 The revised audit plan with no change in the number of audit opinion days will be met from our existing agreed budget for 2016-17. Norfolk Audit Services have not been required to contribute to further cash savings in year so there has been no impact in respect of the agreed budget or in terms of the revised internal audit plan for 2016-17.

2.18 Technical details appear in **Appendix C** for information.

3. Financial Implications

3.1. The internal audit plan covers the risks arising from the Council's budgeted Gross Revenue Expenditure £1.415bn and Capital Expenditure of £267m as well as the Councils' Assets of £1.884m and matching Liabilities. (NCC Budget Book 2016-20)

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

3.3. Norfolk Audit Services plan to deliver the 2016-17 revised audit plan within budget by adhering to the planned budget and continuing to seek efficiencies in our working. We will actively maintain existing trading and pursue opportunities for new traded income.

3.4. All standard audits are allocated a cash budget (£) which is formally monitored at draft and final report stages. A target for 2016-17 has been set to deliver 100% of audits within +/-5% of the agreed cash budget.

3.5. The costs of half yearly audit plans are communicated to the Executive Director of Finance.

4. Issues, risks and innovation

4.1. In order to facilitate traded schools audits, as part of the agreed Medium Term Internal Audit Strategy, the Internal Audit Plan needs to be sufficiently flexible to allow the traded service to be developed and sustained with appropriate resourcing. Once firm bookings are achieved then additional resources can be appointed to meet the ongoing demands. Until that time up to 80 days of the general plan will require the timing of the audit to be flexed as bookings for Traded Audits are secured. The arrangements will be closely managed to ensure the optimum service is achieved and delays are minimised.

4.2. There are no implications with respect to:

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

5. Background

5.1. The Three Year Internal Audit Strategy and the overall Norfolk Audit Services planning approach for the 2016-17 audit plan was approved by the Audit Committee on 28th January 2016 within the minutes, (item 11) available at the link underlined above.

5.2. This report explains the changes made to the Annual Internal Audit Plan for 2016-17 and provides more detail for the Committee. Audit topics have been drawn from our Audit Needs Assessment process and consultation with departmental managers.

5.3. Technical details appear at **Appendix C** for information.

5.4. The Chairman of the Audit Committee and County Leadership Team and the External Auditors have been consulted in the preparation of this report.

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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

IN TRAN communication for all

If you need this Agenda 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

Revised Proposed Delivery of Internal Audit Strategy for 2016-17

Element of Strategy	Original Total proposed 2016-17 Jan Audit Committee	Agreed First Half of Year (A)	Original Proposed Quarter 3 and 4	New Prposed Q3 and Q4 (B)	Arbitrary Total 2016-17 (A+B)
Reporting to the Audit Committee quarterly and annually	**40**	20	20	20	40
Reporting to the Joint Committees (Norfolk Records Committee, Norfolk Joint Museums and Archaeology Committee) annually	**3**	3	0	0	3
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	**5**	0	5	5	5
Provision of assurance to the Executive Director of Finance (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees	**10**	5	5	5	10
Undertaking audit work to support the internal audit opinion **(Appendix E) includes days delivered through mixed economy**	**709**	372	369	429	801
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers	**50**	25	25	25	50
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law	**60**	30	30	30	60
Provision to undertake investigations	**0**	0	0	0	0
*Provision of chargeable Internal Audit Service to Schools	**80**	40	40	40	80
*Provision of an Internal Audit Service to Norfolk Pension Fund	**80**	40	40	40	80
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	**6**	0	6	6	6
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	**138**	70	68	68	138
Setting up and delivering the Audit Authority Function to the FCE programme	**155**	78	77	77	155
Gross Total	1,336	683	685	745	1,428
*Less Delivered to external Clients	**459**	230	229	229	459
Total to be Delivered to NCC (para 2.4)	**877**	**453**	**456**	**516**	**969**
Oversubscription of audit opinion days	**92**				

Proposed revised Internal Audit Plan 2016-17 (Detailed) Appendix Bi
Detail of audit work to support the audit opinion

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Community and Environmental Services				
ETD				
Flood and Water Management	15	Assurance on flood and water management financial controls and systems comply with legislation. **Quality Assurance**		15
Highways & Transport (including fire fleet management)	20	Assurance on the purchase, lease and management of Assets including fire fleet vehicles. **Quality Assurance**		20
TIA (Transport Infrastructure Assets)	10	Assurance over new legislative changes in accounting rules. Supports the work of the External Auditors. **Quality Assurance**		10
Business Continuity	10	Assurance on the effectiveness of business continuity arrangements in place **Quality**	10	
Customer Services: Customer Relationship Management System	10	Assurance that the new Customer Relationship Management System is operating effieiently and effectively **Quality Assurance**		10
Public Health				
Effectiveness of integration with other departments	15	Assurance over the effectiveness of integration with other departments in ensuring public health requirements are being delivered. **Quality Assurance and Organisational Change**		15
Total Community and Environmental Services	**80**		**10**	**70**
Adult Services				
Business Support & Development				
No audits on risk assessed basis				
Integrated Commissioning				
[NEW] Better Care Fund (Governance Arrangements). (Deferred from 2015-16)	15	Assurance over the governance arrangements. **Quality Assurance**	15	
Better Care Fund (Pooled Arrangements)	10	Assurance over financial and governance arrangments. **Quality Assurance**		10
Adult Social Work				
Financial assessments	20	Assurance that systems and controls are in place and operating effectively. **Quality Assurance**	20	
Implementation of Care Act 2014 statutory obligations (Management Letter)	2	Assurance that key requirements and changes from the Care Act 2014 are being met/have been adequately planned for. **Quality Assurance**	2	
Integrated Health Care & Social Care				
No audits on risk assessed basis				
Community Commissioning and Service Transformation				
[NEW] National Minimum Wage review (Phase 1 - new providers) Additional audit to original plan	20	Assurance that systems and controls in place are operating effectively. **Procurement Controls**	20	
[NEW] National Minimum Wage review (Phase 2 - new providers) Additional audit to original plan	20	Assurance that systems and controls in place are operating effectively. **Procurement Controls**		20
Total Adult Services	**87**	**0**	**57**	**30**
Children's Services				
Early Help				
Children's Social Work				
Contract monitoring of non-NCC Children's homes (deferred from 2015-16)	15	Assurance over systems and processes in place to monitor service delivery. **Quality Assurance and Budget Management**	15	

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Education				
[NEW] Themed school audit - Pupil Premium	20	Assurance over systems and processes in place to monitor the use of pupil premium monies. **Quality Assurance and Budget Management**		20
Themed audit - financial governance (replaces four individual audits of high risk schools). Additional audit to original plan	22	assurance of financial management and budgetary controls		22
Performance planning and QA				
[NEW] Contract Management review. Additional audit to original plan	20	Assurance over the specification, tendering, evaluation, and awarding process of 4 specific contracts that were ultimately awarded to former children's services employees.	20	
[NEW] Unspecified Audit 1	15	Assurance over the effectiveness of controls and processes in place. Quality Assurance and Organisational Change		15
Total Children's Services	**92**		**35**	**57**
Resources				
Business Intelligence and Performance & Planning				
[NEW] 3 Audits to support the Annual Governance Assurance Statement: Data Quality Performance Management Risk Management	53	Assurance over the effectiveness of controls and processes in place. **Quality Assurance and Organisational Change**		53
Equality Act	12	Assurance over compliance with the Equality Act as a result of changes to how staff work and how services are now being delivered to service users. **Quality Assurance**		12
Introduction of AGS self assessment process 5 days already in strategy	Audit days delivered within strategy	Days to support the introduction of the new self assessment. **Quality Assurance**		
Programme support				
No audits on a risk assessed basis				
Communications				
No audits on a risk assessed basis				
HR & OD				
No audits on a risk assessed basis				
Law				
No audits on a risk assessed basis				
Democratic Services				
No audits on a risk assessed basis				
Norfolk Audit Services				
A review of the effectiveness of the system of internal controls	3	Days to support the external review against UKPSIAS. **Quality Assurance**		3
Health & Safety				
[NEW] Norfolk Fire & Rescue Service	10	Assurance over the effectiveness of controls and processes in place. **Quality Assurance**		10
Total Resources	**78**		**0**	**78**
Finance				
Finance				
Key Financial systems	20	Assurance on the material financial systems to help support the external auditors. 2015-16 transactions to be looked at. **Quality Assurance**	20	
Teachers Pension Return	10	Required annually by external auditors. **Quality Assurance**	10	
Payroll – Starters and Leavers	15	Assurance on key controls. **Quality Assurance**	15	
Payroll - follow up of tax issue (2015-16 audit).	5	Assurance that recommendations from previous work have been fully implemented. **Quality Assurance**	5	

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Treasury Management	12	Assurance on key controls. **Quality Assurance**	12	
Budget Monitoring	15	Assurance that Budget Manager is being used as expected to provide accurate and timely management information and complete and accurate information is provided to committees about the level of spending compared to budget. **Budget Management**		15
Anti Fraud Audit 1 (20 days from the audit strategy)	Audit days within strategy	Supports the anti-fraud and corruption strategy and plan. **Anti Fraud and Corruption**		Audit days within strategy
Anti Fraud Audit 2 (20 days from the audit strategy)	Audit days within strategy	Supports the anti-fraud and corruption strategy and plan. **Anti Fraud and Corruption**		Audit days within strategy
Subsidiary Companies (4 control self assessments)	12	Assurance that robust governance and financial arrangements are in place and operating effectively. **Quality Assurance**		12
[NEW] Subsidiary Company (1 full audit)	10	Assurance that robust governance and financial arrangements are in place and operating effectively. **Quality Assurance**		10
Accounts Receivable	20	Assurance on the system and controls in place for debt recovery and the new system in place for accounts receivable. It has been specificially requested for the audit to include assurance on the controls in place within the new system for accounts receivable. **Quality Assurance**		20
Account Payable	20	Assurance on the system and controls in place for the e invoicing on the Invoice Management System and e invoicing on non residential payments. It has been specifically requested for the audit to look at the process from order through to payment. **Quality Assurance**		20
Full cost recovery (management letter)	2	Assurance on the adequacy of controls in place to ensure full cost is being charged to external customers. **Budget Management**		2
Community Infrastructure Levy	10	Assurance that adequate governance arrangements are in place. **Quality Assurance**		10
Value for money Public Transport Travel and hotel bookings (management letter)	2	Assurance that the culture of rail ticket purchase and hotel bookings and the current administrative system in place for purchasing tickets meets the criteria of economy efficiency. **Budget Management**	2	
County Farms	10	Assurance that systems and controls are operating effectively. **Quality Assurance**		10
Carbon reduction Scheme	15	Assurance to meet the Carbon Reduction Commitment and the legislative requirements to produce the annual audit letter. **Quality Assurance. Desk top review concentrating on areas of weakness identified at the last audit.**	15	
Property (Asset Management) - Security of buildings	15	Assurance that robust controls are in place regarding security at NCC buildings, especially at evenings and weekends and to ensure no unauthorised access. **Records Management**	15	
Property (Asset Management) - Maintenance of buildings	15	To provide assurance that clear strategy and procedures are in place for property maintenance. **Budget Management**		15
Contract				
Contract Management of Commissioned Services	15	Assurance that systems and controls are in place and are operating effectively. **Procurement Controls**		15
Contract Register	15	Assurance that systems and controls in place are operating effectively. **Procurement Controls**		15
Procurement				

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1/Q2	Q3/Q4
Tendering Compliance	15	Assurance that NCC systems and controls are in place and operating effectively. **Procurement Controls**	15	
Contract Standing Orders Compliance	15	Assurance that systems and controls in place are operating effectively. **Procurement Controls**		15
Information Management				
Voice & data - desk top review	2	Assurances in place to support the delivery of the voice and data project. **Quality Assurance**	1	1
[NEW] Delivery of the Information Management Strategy. Additional audit to original plan	15	Assurance that the strategy for delivering information management is being effectively managed, monitored and reported. **Data Quality and Quality Assurance**		15
[NEW] Audit work to support preparation for the Information Commissioners. Additional audit to the original plan	25	Assurance that systems and controls are in place and are effective to postively support the ICO visit. Quality Assurance	25	
ICT				
Access rights (including link to Sailpoint)	10	Assurance that systems and controls are operating effectively. **Quality Assurance and Records Management**	10	
HP - Asset Disposal	10	Assurance that systems and controls are in place and are operating effectively. **Quality Assurance and Records Management**		10
ICT technical audit - topic to be agreed with new Head of ICT	Audit to be delivered by PWC	Assurance that systems and controls are operating effectivley where we deliver services with third parties and those third parties have access to our systems/applications. **Quality Assurance and Records Management**		
Total Finance	**330**		**145**	**185**
Completion of 2015-16 audits (increased by 85 days)	100		100	
Planning for 2017-18 audits to ensure timely start in Q1 2017-18	24			24
HPF follow up first 6 months	5		2	3
HPF follow up last 6 months	5		3	2
Contingency	0		0	0
Total days to support the audit opinion	**801**		**352**	**449**
days available for opinon work	709			
Audit plan over/under subscribed by	**92**			
Deferred audit days	**345**			

Proposed Revised Internal Audit Plan 2016-17 (Detailed) Appendix Bii
Detail of Deferred Audits

Assurance Area and Audit topic	Days Deferred	Brief description of the audit scope and purpose
Community and Environmental Services		
ETD		
Home to School / Social Care Transport	20	First call on next year. Corporate risk register RM014a being regularly monitored and reported. Assurance on key processes and controls. **Quality Assurance**
Trading Standards	10	First call on next year. Assurance on the arrangements in place to secure evidence for prosecutions, and the disposal following completion of investigations. **Quality Assurance**
Total Community and Environmental Services	**30**	
Adult Services		
Business Support & Development		
Local Welfare Provision / Local Assistance Scheme (possible anti fraud & corruption review)	10	Deferred on a risk assessed basis as not a material spend. Assurance that systems and controls are in place and operating effecively. **Quality Assurance**
Implementation of Care Act 2014 statutory obligations	18	Deferred on a risk assessed basis as an independent review has been carried out on behalf of Adult Services by SCI. NAS will keep a watching brief on this. Assurance that key requirements and changes from the Care Act 2014 are being met/have been adequately planned for. **Quality Assurance**
Total Adult Services	**28**	
Children's Services		
Education		
4 standard school compliance audits	22	Deferred on a risk assessed basis, these individual school audits for four high risks schools have been replaced by a second thematic audit giving broader coverage and assurance. **Quality Assurance**
Performance planning and QA		
Ofsted Improvement Pan	25	Deferred on a risk assessed basis at the request of the Executive Director of Children's Services due to the Children's Commissioner. Assurance over the planned action taken by Children's Servics Leadership Team in supporting the service in addressing the issues as part of the Ofsted report. **Quality Assurance**
Unspecified Audit 1	15	Deferred on a risk assessed basis due to limited NAS audit resource
Data quality on CareFirst	15	This topic will be covered by the planned governance audit of data quality. Assurance over the quality of data on Care First. **Quality of data**
Total Children's Services	**77**	
Resources		
Business Intelligence and Performance & Planning		
3 Audits to support the Annual Governance Assurance Statement: Data Quality Performance Management Risk Management	17	70 days original planned coverage, reduced by 17 days on a risk assessed basis. Assurance over the effectiveness of controls and processes in place. **Quality Assurance and Organisational Change**
AGS assessments	8	Deferred on a risk assesed basis. Assurance over the self assurance process by way of a spot check to supporting evidence. **Quality Assurance**
HR & OD		
Remote and agile working	20	First call on next year. Assurance that systems and controls are in place and are operating effectively. **Quality Assurance and Organisational Change**
Leave and time off management	20	First call on next year. Assurance that tasks previously performed by HR staff, which have now been delegated to departmental managers, are being completed consistently and to the standard required. This will include flex, additional purchased leave, sick leave. **Quality Assurance**
Total Resources	**65**	

Assurance Area and Audit topic	Days Deferred	Brief description of the audit scope and purpose
Finance		
Finance		
Pension 3 year re-enrolment	12	Deferred on a risk assessed basis due to low number of re-enrolement. Assurance that set criteria for re-enrolment has been complied with. **Quality Assurance**
Subsidiary Companies	8	Reduction in days from 20 to 12 as self assessment adiut approach to be adopted. Assurance that robust governance and financial arrangements are in place and operating effectively. **Quality Assurance**
Accounts Receivable	12	Deferred on a risk assessed basis. Assurance on controls on automated changes in respect of billing through Oracle. Pay on receipt. **Quality Assurance**
Full Cost Recovery	13	A management letter will be issued based on initial research undertaken. Assurance on the adequacy of controls in place to ensure full cost is being charged to external customers. **Budget Management**
Value for money Public Transport Travel and hotel bookings	13	A management letter will be issued based on initial research undertaken. Assurance that the culture of rail ticket purchase and hotel bookings and the current administrative system in place for purchasing tickets meets the criteria of economy efficiency. **Budget Management**
Capital Accounting	10	Deferred on a risk assessed basis. Assurance that controls and processes within capital budget manager are operating effectively. **Budget Management**
Contract		
Unspecified Audit to be determined	15	Deferred on risk assessed basis. Assurance that systems and controls in place are operating effectively. **Procurement Controls**
Information Management		
Data protection, identifying and reporting breaches. Thematic review across all service directorates	20	Deferred on arisk assessed basis to redirect NAS audit resource into supporting the ICO visit with targeted aduits prior to ICO visit. Assurance that systems and controls are in place and are operating effectively for identifying, investigating and reporting potential breaches. **Data Quality and Records Management**
Records management and data protection	10	Deferred on arisk assessed basis to redirect NAS audit resource into supporting the ICO visit with targeted aduits prior to ICO visit. Assurance that systems and controls in place are operating effectively and that recommendations from previous audit coverage have been actioned. **Records Management**
Information Governance Framework	10	Deferred on arisk assessed basis to redirect NAS audit resource into supporting the ICO visit with targeted aduits prior to ICO visit. Assurance that systems and controls in place are operating effectively. **Quality Assurance and Records Management**
iHub	10	First call on next year. Assurance over the controls and processes in place to support good quality data on the iHub . **Data Quality and Records Management**
Freedom of Information	10	Deferred on arisk assessed basis to redirect NAS audit resource into supporting the ICO visit with targeted aduits prior to ICO visit. Assurance that systems and controls are in place and operating effectively. **Quality Assurance**
ICT		
DNA Project - desk top review	2	Deferred on arisk assessed basis. DNA is now considered business as usual. Assurance in place to support the delivery of the DNA project. **Quality Assurance**
Total Finance	145	
Total Deferred	**345**	

Assurance Area and Audit topic	Days Deferred	Brief description of the audit scope and purpose

Appendix C

Technical Details

Additional background

2.1 The three year Internal Audit Strategy agreed in January remains largely unchanged in terms of our objectives, the nature of our work, delivery of our work and managing our resources. We continually seek efficiencies in delivering the strategy. There has been reprioritisation of some audits and new audits being identified and included within year **Appendix B.**

Delivering the Audit Strategy (Appendix A):

- The reporting to the Audit Committee remains the same. This reporting is detailed and welcomed by the Committees. Whilst we endeavour to keep time on this to a minimum, we are mindful that this is a sizeable overhead for the team

- The facilitation of the Annual Governance Statement (AGS) for 2015-16 preparations has remained the same at 5 days, although this was supplemented by additional days from the days allowed for the provision of assurance to the Executive Director of Finance days. This was to introduce a self-certification process for the 2015-16 Annual Governance Statement which should see time savings due to more efficiencies in subsequent years. This further strengthens Chief Officer and member involvement using the CIPFA Solace guidance.

- Whilst we continue to promote the traded audits to schools there has been no revision to the planned 80 days. This is deemed sufficient to cover anticipated uptake of this service.

- The number of days to support the grant certification work remains the same.

- The resources needed for the France Channel England project remain estimated at 155 days for 2016-17. With the Brexit outcome we continue to assess and understand any likely impact on our role as Audit Authority and will take responsive action as and when necessary.
- Work for 60 days with respect to advice (promotion and prevention) on Anti-Fraud and Corruption remains the same as the original strategy. This allows for two specific Anti-Fraud and Corruption audits.

The Audit Opinion Work (Appendix Bi):

2.2 Appendix B (i) sets out the resources to deliver one key element of the Strategy, the audit opinion. The 2016-17 revised plan takes particular account of the transitional changes impacting on the governance and internal control issues arising from the economic, budgetary and organisational changes. The revised proposed audit opinion work for 2016-17 is currently oversubscribed by 92 days. This oversubscription will be managed through the six months of the audit plan remaining by natural and expected movement of planned audits. Any remaining audits not delivered due to oversubscription will be carried forward, on a risk assessed basis to quarter 1 of 2017-18. Appendix B (ii) sets out the work that was identified in the original plan and the revised plan through our audit needs assessment, but that has been deferred due to the number of audit days available within the team.

2.3 Audits to address Transformational Change (Appendix B (i)) are the audits that review risks arising from changes in the internal control arrangements as a result of various initiatives and changes that have taken place in the last year or so, or are likely to place in the coming year.

2.4 The Information Commissioner (ICO) has recommended that larger organisations should consider Data Protection as part of their internal audit planning and the Internal Audit plan continues our work on this risk area. The original planned areas of coverage have been deferred due to the pending visit by the ICO *Autumn 2016), instead our audit resource will support the preparations for this visit and will perform an audit prior to the visit (actual coverage to be agreed once the ICO have notified NCC of their planned coverage) Appendix B (i).

Section 4 Issues, Risks and Innovation details

4.1. If appropriate systems are not in place or are not effective there is a risk of:

- the Council failing to achieve its corporate objectives
- the Audit Committee not complying with best practice and thereby not functioning in an efficient and effective manner
- not meeting statutory requirements to provide adequate and effective systems of internal audit.

4.2. These documents underpin the operational performance of Norfolk Audit Services and hence significant changes to these plans would impact on the delivery of the audit service and may put at risk the good reputation of the service. The External Auditor places reliance on the work of Norfolk Audit Services which helps to lower their fees to the Council.

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

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

4.5. The Council has in place an Anti Fraud and Corruption Strategy which is actively promoted. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing.

Section 5 Background details

5.1. The Council must undertake an adequate and effective internal audit to meet the requirements of the Accounts and Audit (England) Regulations (2015). The proposed audit plan meets this statutory requirement. The planning also meets relevant standards (UK Public Sector Internal Audit Standards, UKPSIAS). Norfolk Audit Services must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The plan must take into account the requirement to produce an annual internal audit opinion, the relative risk maturity of the organisation and the assurance framework. Norfolk Audit Services identifies and considers the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinions and other conclusions. The plan and resource requirements need to be communicated to senior managers and the Audit Committee for review and approval.

End.

Audit Committee

Item No. 12

Report title:	**Risk Management Report**
Date of meeting:	**22nd September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Audit Committee's role 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 at the end of August 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during August 2016.

Progress since the last Audit Committee meeting (June 2016)

The Corporate Risk Register was reported to the last Audit Committee in June 2016, prior to being refreshed in August 2016. The Policy and Resources Committee (P&R) manages these risks and the corporate risks will next be reported to the September 2016 P&R Committee later this month. Since the last Audit Committee, reporting on the corporate risk register has been updated to show the latest developments, which are shown in **Appendix A** (the risk register report). A reconciliation of corporate risks from June 2016 is shown at **Appendix B.**

Recommendations:

Committee Members are asked to:

- Consider:
  - **a.** The changes to the Corporate Risk Register **(Appendices A and B)**, and the progress with mitigating the corporate risks;
  - **b.** The scrutiny options for managing corporate risks, presented in **Appendix C**;
  - **c.** if any further action is required.

1. Proposal (or options)

1.1. The County Leadership Team has been consulted in the preparation of the corporate risk register.

2. Evidence

2.1 Direction

The Council's Medium Term strategy, adopted by the Council in July 2015, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. Considering 'being the organisation we need to be', the Council is leading on, and delivering, these changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.

Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated, and is currently being developed by the Risk Management Officer. Risk Management continues to be reviewed and strengthened as part of that work.

The Audit Committee minutes from 21 April 2016 recorded that, 'Risk RM010 (Risk of the loss of key ICT systems) did not contain any specific reference to the risk of hacking. The Chief Internal Auditor would raise the issue with the risk owner to check if the risk of hacking had been included and discuss whether the mitigating actions needed to be updated to reflect this potential risk'. This issue is being taken forward with the new Head of ICT and risk RM010 will be reviewed accordingly for future risk reports.

2.2. Progress

Overall, corporate risk scores continue to be generally stable. Since the last 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. Now that risks and mitigations are more closely aligned to each other, progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant risks to Norfolk County Council and the actions required to mitigate them.

The latest corporate risk register details 20 risks, presented at **Appendix A**. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and actionee 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 Council Leadership Team and their Departmental Management Teams.

Appendix A contains a full description of each corporate risk with the tasks to mitigate it and the progress of that mitigation. There are three risk scores (original, current, and target), with each score expressed as a multiple of the impact and the likelihood of the event occurring.

There is one risk with a ‘current’ red risk score:

1. RM020a – Failure to meet the long term needs of older people.

Risk owners have considered whether the risks will meet the target score by the target date. Twelve risks are assessed as “Amber– some concerns” that targets may not be met, and five are assessed as “Green - on schedule” to meet their target.

There are three risks with a ‘prospects’ target red risk score:

1. RM014a - The amount spent on home to school transport at significant variance to predicted best estimates.

2. RM014b - The amount spent on adult social care transport at significant variance to predicted best estimates.

3. RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.

A reconciliation to the June report is presented at **Appendix B.**

As part of the overall development of the performance and risk management framework for the Council, a new approach to corporate and departmental risk management is being adopted. This new approach involves the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the council.
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.

To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a new list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C.**

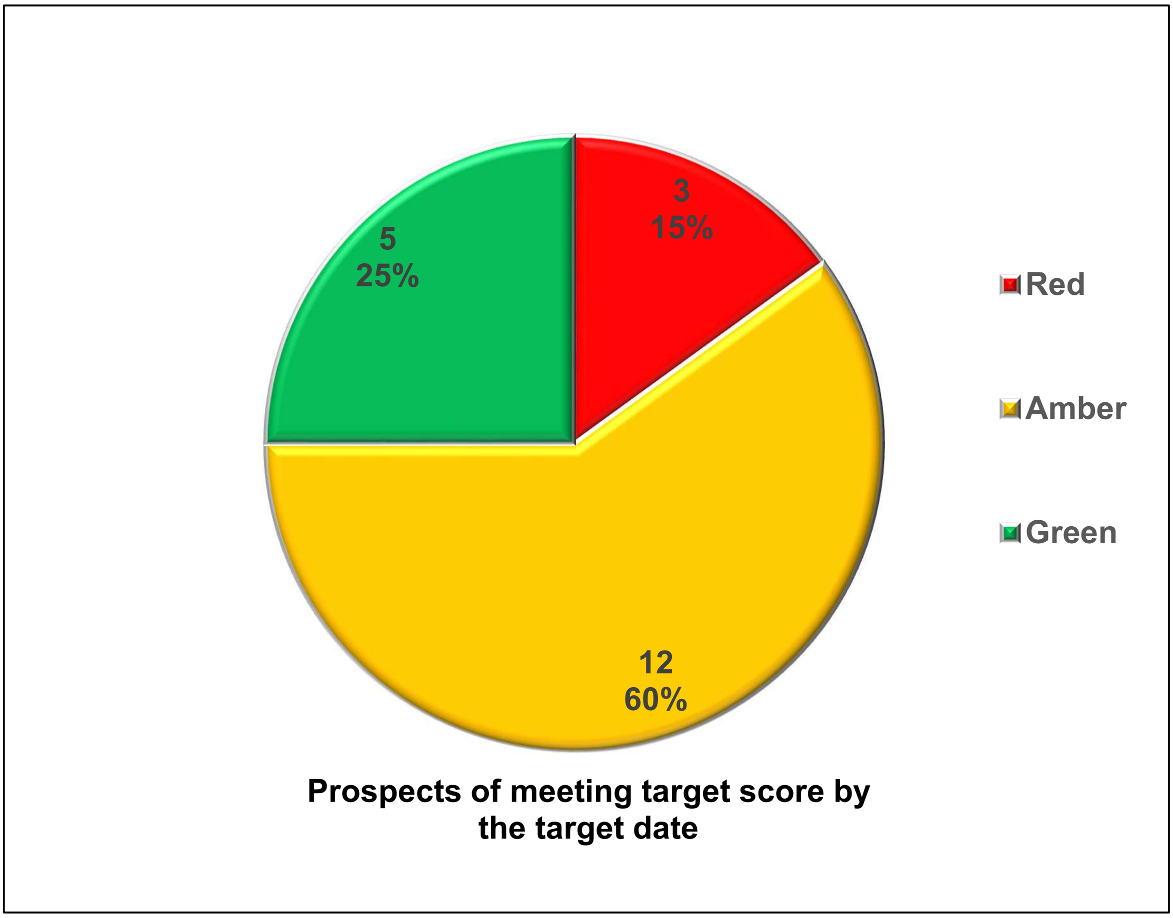
Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' previously presented in an Audit Committee meeting agenda paper, pages 368-378 . Risk scores are based on the scoring model found in the Norfolk County Council "Management of Risk Framework".

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.

The criteria for Corporate and Departmental risks are described at Note 1.
A description of target scores is shown at Note 2.

Fig. 1. Reflects the percentages of risks in each category.

Fig. 1 – A chart to show the RAG rating percentages of meeting target scores.



2.3 Changes to the corporate risk register

Following the recent review there are now:

Two new corporate risks to report :

RM021 - Failure of Estate Management

RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.

Two closed corporate risks to report:

RM008 - The potential risk of failure to deliver effective procurement processes.

RM009 - The potential risk of failure of corporate governance and leadership.

2.4 Refreshed Risk Management Policy and Framework

As part of the Medium Term Risk Management Strategy 2016-19 the Council's Risk Management Policy is being reviewed. This is currently being reviewed by the Risk Management Officer.

2.5 At the January 2016 Audit Committee, Members asked for an analysis of the Council's properties that were at risk of flooding. That analysis is being completed and will be reported to a future meeting.

3. Risk Management reporting to Committees

3.1 As a result of a recommendation from the Chairman and Members it was agreed that all departmental risks should be formally reviewed at the appropriate committees.

3.2 Risk Management is now reported separately to Performance Management at Committees, although there continue to be close links between performance and risk. The departmental reporting continues to be by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Performance Report.

4. Financial Implications

4.1 There are no financial implications other than those identified within the risk register. The financial implications of corporate risks are reported to the Policy and Resources Committee.

5. Issues, risks and innovation

5.1 At the July 2016 Policy and Resources Committee, a further explanation was provided to Members of the County Council's approach to risk appetite and tolerance, which is applicable to the Communities Committee, and which can be located in paragraph 2.1 on page 103 of the Policy and Resources Risk Management report (P&R agenda reports 18 July 2016).

6. Background

6.1 The review of existing risks has been completed with responsible officers.

Officer Contact

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

Officer name :	**Adrian Thompson**	**Tel No. :**	01603 222784
Email address :	adrian.thompson@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.

Note 1:

A Corporate Risk is one that:

- It requires strong management at a corporate level thus the Council Leadership Team should direct any action to be taken
- It requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.

- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Note 2:

The prospects of meeting target 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 score by the target date. The position is visually displayed for ease in the “Prospects of meeting the target score by the target date” column 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.

Risk Number	RM001	**Date of update**	24 August 2016
Risk Name	The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.		
Risk Owner	Vince Muspratt	**Date entered on risk register**	01 July 2015

Risk Description

There is a risk that the necessary infrastructure (including but not limited to transportation, community, school and green infrastructure) will be not be delivered at the required level and/or rate to support the existing population and to support and stimulate future growth, as set out in Local Plans.

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
3	5	**15**	3	4	**12**	3	2	**6**	Apr-17	**Amber**

Tasks to mitigate the risk

1) Ensure appropriate infrastructure planning is undertaken and documented
2) Continue to investigate all possible funding sources including UK government, European Union and developer
3) Maintain and improve lobbying of government
4) Work in partnership with the district councils who have a Community Infrastructure Levy (CIL) in place to ensure the most effective use of the income
5) Ensure appropriate arrangements are in place for the collection of developer contributions
6) Ensure all the Local Growth Fund allocations from the New Anglia Local Enterprise Partnership, and other funding sources, are spent on appropriate infrastructure and to the agreed timescales
7) Continue to work with Highways England to ensure the Road Investment Strategy is delivered to the agreed timetables

Progress update

1) Infrastructure planning is carried out in conjunction with the seven Local Planning Authorities and via the Greater Norwich Growth Board in terms of devising appropriate Local Plans. In addition, this is complemented by strategic transport planning carried out by NCC.
2) Close working with the New Anglia Local Enterprise Partnership, Department for Transport, colleagues in EDS (European funding) and Developer Services. We have been awarded Major Scheme development funding to prepare and Outline Business Case (OBC) for the Great Yarmouth Third River Crossing.
3) A campaign is currently underway to raise the profile of the Great Yarmouth Third River Crossing using Brandon Lewis MP as the focus. This campaign has assisted in the successful OBC funding.
4) CIL is only currently in place in Norwich, Broadland and South Norfolk and we are working through the Greater Norwich Growth Board (GNGB) to influence the priorities.
5) NCC ensures that development contributions are maximised within the extent of the planning framework.
6) Feasibility and scheme development work continues for the various projects. Some are well advanced for delivery to the Local Growth Fund timescales but others are still at the scheme identification stage and could face delays particularly if land acquisition is needed. An increasing reliance will need to be put on resources from the Mouchel partnership.
7) Regular progress meetings are held with Highways England in addition to scheme specific meetings. A further update meeting was held with Highways England on 27 July.

Appendix A

Risk Number	RM002	**Date of update**	09 August 2016
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, government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Plan savings required for 2016/17- 2019/20 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.

Original			Current			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**	3	4	**12**	Feb-17	**Green**

Tasks to mitigate the risk

Medium term financial strategy and robust budget setting within available resources.
No surprises through effective budget management for both revenue and capital.
Budget owners accountable for managing within set resources.
Determine and prioritise commissioning outcomes against available resources and delivery of value for money.
Regular and robust monitoring and tracking of in-year budget savings by CLT and members.
Regular finance monitoring reports to Committees.
Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants.
Plans to be adjusted accordingly once the most up to date data has been received.

Overall risk treatment: reduce

Progress update

Re-Imagining Norfolk - Service and Financial Planning 2016-19 for Policy Resources reported to Policy and Resources Committee on 8 February 2016 and County Council on 22 February 2016 (in conjunction with progress update in RM006 below).
2015/16 Financial Savings and Monitoring reports reported to the February Policy and Resources Committee and where necessary adjustments included in the 2016/17 budget.
Government's 2016-17 local government finance settlement reflected in the 2016/17 budget and Medium term Financial Strategy.
Policy and Resources Committee on 18 July 2016 considered the latest position and agreed a timetable to consider 2017/18 budget and future Medium Term Financial Strategy.

Appendix A

Risk Number	RM003	**Date of update**	18 August 2016
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice.		
Risk Owner	Anne Gibson	**Date entered on risk register**	30 September 2011

Risk Description

There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance. This could lead to significant reputational and financial risk for NCC.

Original			Current			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**	Oct-16	**Amber**

Tasks to mitigate the risk

1) Implementation of SIRO (Senior Information Risk Officer) , 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.

The target likelihood score has increased from 1 to 2 to take into account the current climate around the corporate reliance on data and its interpretation/meaning.
The target date has been changed to take into account the delivery and timescales in the IM Maturity Readiness Plan.

Overall risk treatment: reduce

Progress update

The Corporate Information Management Strategy and IM Maturity Readiness Plan was signed off by CLT on the 11th March 2016. The strategy and plan have been developed around the 7 National Archive Information Principles.
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 Fit for Purpose principle will initially deliver the below by Oct 2016:-
* Develop processes and governance to monitor and assure information quality.
* Identify the quality characteristics required for each dataset from Line of Business systems.
* Develop a consistent approach for describing, recording, and communicating information throughout Line of Business Systems
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. The last update to CLT was on the 28th July 2016.

Appendix A

Risk Number	RM004	**Date of update**	17 August 2016
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.		
Risk Owner	Anne Gibson	**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			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**	Mar-17	**Amber**

Tasks to mitigate the risk

1) Agree a standard corporate approach to the management of significant contracts.

2) Conduct a gap analysis, initially focused on the top fifty contracts.

3) Put in place an action plan based on the gap analysis

Overall risk treatment: reduce

Progress update

1) CLT agreed the standard approach on 30 June 2016.

2) An initial gap analysis is under way on five pilot contracts. This will be used to refine the approach.

3) Subsequently, the gap analysis will be extended to the remainder of the top fifty contracts, then to a further tranche of some 45 contracts.

The target date has been extended to March 2017, given the early findings from the gap analysis.

Appendix A

Risk Number	RM005	**Date of update**	19 August 2016
Risk Name	The risk that we cannot provide laptops that are configured and maintained to be modern, reliable and fit for purpose.		
Risk Owner	Anne Gibson	**Date entered on risk register**	01 July 2015

Risk Description

Failure to provide laptops that are configured and maintained to be modern, reliable and fit for purpose, resulting in poor staff productivity, poor morale, ineffective working practices and/or poor information security.

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
4	4	**16**	3	4	**12**	2	4	**8**	Sep-16	**Amber**

Tasks to mitigate the risk

1) Replace all Windows XP devices by 30 November 2015 to retain PSN compliance.
2) Roll out modern laptops running a modern operating system (Windows 7 or Windows 8.1), with alternative devices (eg power laptops) available where required.
3) Keep the new devices up to date through regular patching and software update.
4) Resolve reliability and usability issues with the new devices.

Overall risk treatment: reduce

Progress update

1) XP switch-off took place as planned. A very small number of devices are still running, with mitigations agreed with the Cabinet Office.
2) All staff now have a modern laptop running either Windows 7 or Windows 8.1.
3) A regular patching and software upgrade regime is in place.
4) A formal joint review by Norfolk County Council and Hewlett Packard of laptop device reliability and usability issues is underway, with the aim of fixing these issues within six weeks in June 2016.
An upgrade to the corporate wifi is planned as part of the Council's Updata contract.

Appendix A

Risk Number	RM006	**Date of update**	09 May 2016
Risk Name	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	01 July 2015

Risk Description

The failure in strategic planning meaning the Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.

Original			**Current**			**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**	1	5	**5**	Jul-16	**Green**

Tasks to mitigate the risk

• Clear robust planning framework in place which sets the overall vision and priority outcomes.
• Strategic service and financial planning process which translates the vision and priorities into achievable, measurable objectives, with clear targets.
• A robust annual process to provide evidence for Members to make decisions about spending priorities.
• Sound engagement and consultation with stakeholders and the public.
• A performance management system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.

Overall risk treatment: reduce

Progress update

• Full Council agreed a three-year medium term financial and service strategy, including the budget for 2016/17, at its meeting on February 22nd 2016. In making their decisions, Councillors had the benefit of extensive feedback from public consultation, which had been considered in some detail by all Committees.
• A new County Council Plan was considered by Policy and Resources and was recommended to Full Council, although is awaiting sign-off.
• The Plan outlines the strategic context for the Council, providing direction and guide strategic and resource choices. It will then translate into delivery at a service committee level, setting out actions to address the four priority outcomes, objectives for the Department's core business; spending plans - what the money will be spent on and what it will deliver/achieve; performance, risk and accountability framework
• A new performance management framework was agreed in October 2015, and 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 Policy and Resources Committee is reviewing the medium term financial and service strategy to ensure robust plans for 16/17 and 17/18.

Appendix A

Risk Number	RM007	**Date of update**	18 August 2016
Risk Name	Potential risk of organisational failure due to data quality issues.		
Risk Owner	Anne Gibson	**Date entered on risk register**	01 July 2015

Risk Description

Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff.

Original			Current			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**	Oct-16	**Amber**

Tasks to mitigate the risk

1) Implementation of the Information Management Strategy,
Information Governance Framework, Data Protection, Information Sharing, Freedom of Information, Records Management, Managing Information Risk, and Information Security.
2) Information Compliance Group (ICG) has the remit to ensure the overarching Information Governance Framework is embedded within business services and NCC and elements of the IM Maturity Readiness Plan.
3) Ensuring that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory/NCC standards for information management.
4) Ensuring the Mandated E-Learning Data Protection 3 year refresher data - Information sent to CLT and CLG on a monthly basis for review and action
5) NCC is PSN accredited
6) NCC is NHS Information Governance Toolkit compliant to Level 2
7) The implementation of a corporate Records Management solution
8) The implementation of a corporate Identity and Access Management solution

The target likelihood score has increased from 1 to 2 to take into account the current climate around corporate information compliance, and the amount of work required to mitigate the risk.
The target date has been changed to take into account the delivery and timescales in the IM Maturity Readiness Plan.

Overall risk treatment: reduce

Progress update

The Corporate Information Management Strategy and IM Maturity Readiness Plan was signed off by CLT on the 11th March 2016. The strategy and plan have been developed around the 7 National Archive Information Principles.
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.
The Maturity Readiness Plan is being monitored by the BI/IM Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT.
Norfolk County Council has now been NHS IG toolkit accredited for 2016/17
Norfolk County Council has now gained PSN accreditation for 15/16, with re-accreditation due in September 16. A delivery plan is in place to work through for September 2016. The delivery plan is currently on track to meet the Cabinet requirements for PSN.

Risk Number	RM010	Date of update	19 August 2016
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	Anne Gibson	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 physical failure, fire or flood, supplier failure, misconfiguration or loss of PSN accreditation - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.

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
3	4	**12**	3	4	**12**	1	3	**3**	Jun-17	**Amber**

Tasks to mitigate the risk

1) Full power down in June 2015, completion of electrical works and test of ability to restore service.
2) Catalogue key ICT systems by 30th Sept 2015 - determine Recovery Time Objectives ("How long to restore") and Recovery Point Objectives ("acceptable amount of data loss") with business owners by 31st Oct.
3) Develop rolling Disaster Recovery test schedule by 30th Nov.
4) Determine target location for Highways Management System, CareFirst, Oracle e-Business Suite and Windows servers
5) Complete voice and data network re-procurement by 31st Dec to mitigate resilience issues, including with telephony, the data network, remote access, mobile devices and schools services.
6) Take necessary steps to retain PSN accreditation.

Overall risk treatment: reduce

Progress update

1) Full power down completed and procedures updated from lessons learned.
2) Recovery Time Objectives drafted - to be reviewed by the business to ensure that they meet business continuity requirements.
3) Initial set of Disaster Recovery tests will be undertaken, associated with testing failover of the new network. A rolling programme will follow.
4) Cloud-based highways management system has been implemented; procurement starting for CareFirst replacement (will be resiliently hosted by April 2018 - work is in progress); review of Oracle hosting has been commenced in light of this (timescales to be confirmed); review of Windows hosting still to be completed. This will be included within the scope of the formal joint review by Norfolk County Council and Hewlett Packard of the DNA contract during June 2016. Work is in progress.
5) Voice and Data network procurement completed and once implemented will improve resilience by April 2017.
6) PSN re-accreditation has been achieved, and a programme of works to retain accreditation put in place.

Appendix A

Risk Number	RM011	**Date of update**	12 August 2016
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.		
Risk Owner	Anne Gibson	**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 will have a detrimental impact on future improvement plans and overall performance and reputation of the Council.

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
3	4	**12**	3	4	**12**	1	3	**3**	Mar-17	**Amber**

Tasks to mitigate the risk

A review of the tasks to mitigate and to reduce this risk has been undertaken in April 2016 and the following actions for 2016/17 have been identified:-

1) CLT/CLG developing a new performance management framework to better align priorities, resources and managerial accountability for delivering results. This includes better linking of the new set of performance indicators (vital signs & organisational health measures) with senior manager individual performance appraisal ratings. To implement a new set of common leadership objectives (for the second year).

2) For CLT to regularly review the quality and robustness of our people performance management framework and ensure consistent adherence across NCC. To undertake a review and audit in August/September 17 against agreed criteria. To track appraisal completions of the 2016 end of year appraisals and to ensure an improvement on the 2015 81% completion rates.

3) To evaluate the Performance Conversations skills workshops that 500 managers attended - and follow up to ensure that this learning is embedded across the organisation.

4) CLT to agree focus for further performance management skills development - following assessment of gaps.

Overall risk treatment: reduce.

Progress update

Whilst progress has been made on implementing key actions the risk scores are assessed as remaining the same; given the criticality of this area. It is essential that this work continues with managers to achieve a major shift in the day to day performance routines of all levels of managers. Set out below is progress in the last 12 months:

1) New performance framework in place and a number of briefings and development work has been undertaken with CLT/CLG.

2) Appraisal completion rates 81% (variation of 57% to 95% in different parts of the Council) in 2015 - County Leadership Team agreed to track & improve on this for 2016.

3) In the last year, we have started to achieve a greater understanding in our management population of the gaps in our performance framework and their role in addressing the changes needed.

4) In 2015/16 the sickness levels improved and we exceeded the Council's target for NCC services. Average sickness per fte reduced to 7.66 days 15/16 from 8.35 in 14/15 (Target 7.81).

Risk Number	RM013	**Date of update**	23 June 2016
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 2014-15, from page 88, covering Group Accounts available on the Council's website at http://www.norfolk.gov.uk/view/NCC167254

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
1	4	**4**	1	4	**4**	1	4	**4**	Sep-16	**Green**

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 Resources 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.
The Executive Director of CES should undertake a strategic relationship role on behalf of CLT checking there is a consistency in the client side management.

Overall risk treatment: reduce

Progress update

1) There are regular Board meetings, share holder meetings and reporting as required. Risks are recorded on the NORSE group risk register.
2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned local authority company. The shareholder committee meets quarterly and monitors the performance of NORSE. A member of the shareholder board, the shareholder representative, also attends the NORSE board.
3) The Council has reviewed its framework of controls to ensure it is meeting its Teckel requirements in terms of governance and control, and a series of actions has been agreed by the Policy and Resources Committee.

Appendix A

Risk Number	RM014a	**Date of update**	12 August 2016
Risk Name	The amount spent on home to school transport at significant variance to predicted best estimates		
Risk Owner	Michael Bateman	**Date entered on risk register**	04 November 2015

Risk Description

There is a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates. Cause: Home to school transport being a demand led service. Event: The amount spent on home to school transport is at significant variance with the predicted best estimates. Effect: Significant overspend on home to school transport than has been estimated for. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the complexities involved in sustaining reductions in the need for transport or the distance travelled will result in a continued overspend on the home to school transport budgets and an inability to reduce costs.

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
3	3	**9**	4	3	**12**	2	3	**6**	Mar-17	**Red**

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: reduce

Progress update

Monthly SEN Transport Budget Meeting now embedded to ensure frequent and consistent joint working between Transport/SEN commissioners in Children's Services and the Passenger Transport Unit; review of exceptional cases criteria, application of policy, early warning of legislation and case-law impact on costs. Travel time/cost reduction is key element of new Education Inclusion Strategy and its implementation is being supported by a dedicated project manager using DfE grant money and a new post for 'Transport Invest to Save' has been recommended for funding from this grant also; to reduce the number of children needing to access alternative specialist provision or, if necessary, then to attend local specialist provision, the impact of this is not likely to kick in until latter part of 2016/17. The LA continues to be fully engaged with the Chairs of the Headteacher Associations and the Chair of the Schools' Forum / Governor Association to ensure that the strategy is jointly developed, owned and implemented.
SEN budget has been split down to lower levels and regular data is being sent to decision-makers in Children's Services to enable further transparency and better budget monitoring.
While student numbers continue to decrease in secondary and Post 16 education, spend is reducing.

Appendix A

Risk Number	RM014b	**Date of update**	25 August 2016
Risk Name	The savings to be made on Adult Social Services transport are not achieved.		
Risk Owner	Janice Dane	**Date entered on risk register**	04 November 2015

Risk Description

The risk that the budgeted savings of £3.8m to be delivered by 31 March 2017 will not be achieved.

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
3	3	**9**	4	3	**12**	2	3	**6**	Mar-17	**Red**

Tasks to mitigate the risk

As part of reviews and reassessments identify the potential to reduce transport costs, eg by using local services that meet needs, using mobility allowance/motability vehicles - and work with individuals to achieve this.
Travel and Transport continually review the transport networks, to look for integration and efficiency opportunities, and reprocure transport.
Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectiviely.

Progress update

Project set up in ASSD. One FTE in Travel and Transport now dedicated to helping ASSD transport savings programme. Regular data and costs are being sent to ASSD managers. Promoting Titan (Travel Independent Training Across the Nation) training eg so that people can use public transport by themselves. Corporate approval to refurbish a centre in Thetford to provide day services for younger people with complex Learning Difficulties in that area rather than them having to travel long distances which will result in savings. Engagement events being held to encourage transport providers to sign up to Trusted Traders for Transport so that where people are able they can arrange and pay for transport themselves.
Data has been analysed by the project team and potential savings identified, but the teams haven't got the capacity to do the reassessments of service users at pace and people haven't applied for additional posts that have been created.
Part of regular report to ASSD SMT and Promoting Independence Programme Board.

Appendix A

Risk Number	RM016				**Date of update**				16 August 2016		
Risk Name	Failure to adequately embed Business Continuity into the organisation.										
Risk Owner	Tom McCabe				**Date entered on risk register**				10 December 2015		
Risk Description											
To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a significant incident (Major or Moderate) 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	4	**8**	2	3	**6**	Sep-16	**Green**	

Tasks to mitigate the risk	**Progress update**
1) All corporately agreed critical activities must have comprehensive Business Continuity plans. Plans to be agreed at Senior Management meetings.	1) 84% of BC plans completed across the organisation including 88% of critical plans. However, some plans are now out of date. 62% of BC Plans have been reviewed within the last 12 months including 67% of critical plans. The Corporate BC plan is being reviewed and updated. The Resilience Team is focussing on an audit of the quality of plans.
2) That departments are represented at Resilience Management Board meetings, that training is completed and that departments complete exercises/tests.	2) Most departments are represented at meetings regularly. Resilience and ICT followed up the initial meeting of 6th June and a list of actions were agreed at the latest meeting on the 1st July to strengthen ICT Business Continuity arrangements. Resilience have been invited to the ICT Board to present. We have invited the Head of Procurement to the Resilience Management Board to present on Supplier Continuity. Training and exercising has begun but a full programme of training and exercising needs to be developed.
3) A planned exercise to take place with the Customer Service Centre at the Corporate work area recovery (WAR) site. Also, an exercise with the Resilience Management Board and CLT.	3) A recent visit at the Work Area Recovery site confirmed that a test with the CSC can be organised in the next 6 months. Once this has been completed an assessment will be carried out on how other services could use the site and document invocation procedures if the site needed to be used both in and out of hours. CLT have had a number of briefings from the Resilience Team as well as an exercise on the impact of pandemic flu.
4) Complete a Business Impact Analysis every two years and review risks which could affect critical activities.	4) This has been completed and 93% of BIAs were returned. The Resilience Board has confirmed the critical activites as a result of this process. Resilience representatives completed a session on the risks to critical activities and ICT was identified as a high risk area that services were concerned about.
5) To review Business Continuity E-Learning Course, relaunch, monitor uptake.	5) The online BC e-learning is available. We will promote the current e-learning module and monitor uptake.

<table>
<tr><td>Risk Number</td><td>RM017</td><td colspan="5">Date of update</td><td colspan="4">24 August 2016</td></tr>
<tr><td>Risk Name</td><td colspan="10">Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.95m)</td></tr>
<tr><td>Risk Owner</td><td>Tom McCabe</td><td colspan="5">Date entered on risk register</td><td colspan="4">26 November 2015</td></tr>
<tr><td colspan="11">Risk Description</td></tr>
<tr><td colspan="11">There is a risk that the NDR will not be constructed and delivered within budget. Cause: environmental / building contractor factors affecting construction progress. Event: The NDR is completed at a cost greater than the agreed budget. Effect: Failure to construct and deliver the NDR within budget would result in the inability to deliver other elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan. It would also result in a reduction in delivering economic development and negatively impact on Norfolk County Council's reputation. Exceeding the budget will also potentially impact wider NCC budgets and its ability to deliver other highway projects or wider services (depending on the scale of any overspend).</td></tr>
<tr><td colspan="3">Original</td><td colspan="3">Current</td><td colspan="5">Target</td></tr>
<tr><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Likelihood</td><td>Impact</td><td>Risk score</td><td>Target Date</td><td>Prospects of meeting Target Risk Score by Target Date</td></tr>
<tr><td>3</td><td>3</td><td>9</td><td>3</td><td>3</td><td>9</td><td>2</td><td>2</td><td>4</td><td>Feb-18</td><td>Amber</td></tr>
<tr><td colspan="11">Tasks to mitigate the risk</td></tr>
<tr><td colspan="11">The total project cost, not including the Postwick junction which has already been delivered, is £151.25m.
1) A project Board and associated governance mechanisms to be put in place. Monthly reporting will be provided to the Board (Chaired by Tom McCabe).
2) A project team is to be developed to include sufficient client commercial scrutiny throughout the works by Balfour Beatty, which will include a commercial project manager.
3) Main clearance works, archaelogical investigation and utility diversions planned for start on 4 January 2016. This will enable main construction to meet start planned for March 2016 to keep programme as short as possible.
4) Project controls and client team to be assembled to ensure sufficient systems and staffing in place to monitor costs throughout delivery of project.
5) Cost reduction opportunity meetings will be held throughout the duration of the construction.

Overall risk treatment: reduce</td></tr>
<tr><td colspan="11">Progress update</td></tr>
<tr><td colspan="11">1) A project Board and associated governance mechanisms are in place and monthly reporting is being provided to the Board (Chaired by Tom McCabe).
2) The project team is developed and includes sufficient client commercial scrutiny throughout the works by Balfour Beatty, including a commercial project manager.The contract includes significant incentivisation with the intention for the whole delivery team to stay within the available budget.
3) Works start delayed, but some clearance and environmental mitigation able to be started in December 2015. Main clearance works, archaeological investigation and utility diversions started on 4 January 2016 and have been delivered on programme (the risks of environmental and archaeology constraints restricting progress have now diminished). However there remain some pressures on programme, with Network Rail approvals taking longer than planned for the Rackheath Bridge. Poor weather in June has also slowed progress. The impacts on budget are being reviewed and monitored.
4) Project controls and client team are in place to ensure sufficient systems and staffing to monitor costs throughout delivery of project.
5) All team focussed on reducing costs and further cost reduction opportunity meeting already held with further meetings ongoing.</td></tr>
</table>

Appendix A

Risk Number	RM018	**Date of update**	14 August 2016
Risk Name	Potential failure to meet the needs of children in Norfolk.		
Risk Owner	Michael Rosen	**Date entered on risk register**	01 December 2013

Risk Description

CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted and subsequently, children and families do not receive a good/outstanding service.

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**	1	5	**5**	Mar-17	**Amber**

Tasks to mitigate the risk

Action plans are being designed and delivered following each Ofsted monitoring visit.
Strategic partnership arrangement is being developed with Barnardo's to focus on LAC and Care Leavers.
Essex CC have been commissioned by the DfE to support our improvement activity.

Progress update

Feedback from the first monitoring visit was generally positive. All areas for development identified by Ofsted in that visit have been captured in the action plan.
A joint innovations fund bid has been submitted with Barnardo's to assist in funding the partnerhsip approach. Governance arrangements are being discussed.
Colleagues from Essex have visited and we have provided them with a locality-level stocktake in order to inform them of current performance and to help identify where there support would be most beneficial.

Appendix A

Risk Number	RM019	**Date of update**	25 August 2016
Risk Name	Failure to deliver a new fit for purpose social care system on time and to budget.		
Risk Owner	Catherine Underwood	**Date entered on risk register**	24 February 2016

Risk Description

Major risks include: 1) Being unable to resource the project to meet the April 2018 deadline 2) Setting a scope that is either too ambitious or not challenging enough 3) The market may not provide an affordable solution 4) It may be difficult to establish costs and fund the project 5) National and local agendas may cause our requirements to change radically between procuring and implementing the system 6) Corporate governance may be challenging to establish standard requirements for a complex project involving users from 5 council departments and 3 committees.

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
4	5	**20**	3	5	**15**	1	4	**4**	Jun-18	**Green**

Tasks to mitigate the risk

1) Create and cost a resource and preliminary staffing structure profiled across years, and recruit to posts
2) Ensure scope is effectively challenged through staff, management and member consultation
3) Ensure the procurement route and SoR is clearly specified to appeal to the widest group of contractors that have a developed product that delivers Adults, Childrens and Finance
4) Ensure costs and resource plans are challenged reviewed by an external expert
5) Consult effectively with partners and stakeholders to ensure intelligence is captured and fed into the procurement requirements and within the implementation phases
6) Develop and review effective corporate governance to ensure service requirements are fed into the scope and Statement of Requirements.

Progress update

1) Staffing and non-staffing estimates were calculated and profiled and approved by Adults, Children's and policy and Resources Committees February 2016. Initial key posts will be advertised in the next two weeks.
2) The project scope has been reviewed by the SCS Management Board and by CLT.
3) The Statement of Requirements has been signed-off by the Joint Leadership Advisory Group (JLAG) and the County Leadership Team (CLT). The Invitation to Tender (ItT) was placed w/c 9 May 2016. Deadline for bids was 10 June.
4) Cost, resource plans and the Statement of Requirements have been challenged and reviewed by an external ICT consultant and changes have been made to take these into account.
5) The Project Team is consulting with management groups, stakeholders and OLAs and is maintaining a watching brief on the development of Government and professional body agendas
6) Governance models developed in the preliminary stages have been reviewed in consultation with the Managing Director and Corporate Leadership Team and those changes are being implemented. 7) Data migration approach has been agreed by JLAG and CLT.

Appendix A

Risk Number	RM020a	**Date of update**	25 August 2016
Risk Name	Failure to meet the long term needs of older people		
Risk Owner	Catherine Underwood	**Date entered on risk register**	23 March 2016

Risk Description

If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	**25**	4	5	**20**	2	4	**8**	Mar-30	**Amber**

Tasks to mitigate the risk

- Invest in appropriate prevention and reablement services
- Integrate social care and health services to ensure maximum efficiency for delivery of health and social care
- The Building Better Futures Programme will realign and develop residential and social care facilities
- Ensure budget planning process enables sufficient investment in adult social care
- Adult Social Services is implementing a new more cost effective model for meeting peoples' needs based on Promoting Independence.

Progress update

The Adult Social Care mitigating tasks are relatively short term measures compared to the long term risk, i.e. 2030, but long term measures are outside NCC's control, for example Central Government policy.

The department is implementing Promoting Independence which will radically change Adult Social Services in Norfolk. The overall objective is: improving when and how people can get information and advice locally; helping people to meet their needs locally; helping people to be independent and live safely at home; a strengths based approach; and in turn reducing the number of social care assessments that Norfolk carries out and the amount of funded services provided. Strengths based training was rolled out to all social care practitioners in Adult Social Services by the end of April 2016. Preventative Assessments have been piloted and are being evaluated. The Customer Clinics/Links are starting to be rolled out.

Risk Number	RM020b	**Date of update**	25 August 2016
Risk Name	Failure to meet the needs of older people		
Risk Owner	Catherine Underwood	**Date entered on risk register**	01 April 2011

Risk Description

If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.

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
3	4	**12**	3	4	**12**	2	4	**8**	Mar-17	**Amber**

Tasks to mitigate the risk

- Invest in appropriate prevention and reablement services
- Integrate social care and health services to ensure maximum efficiency for delivery of health and social care
- The Building Better Futures Programme will realign and develop residential and social care facilities.

Adult Social Services has a new more cost effective model for meeting peoples' needs based on Promoting Independence.

Progress update

- The Norsecare development at Bowthorpe opened in April 2016.
- The department is delivering Promoting Independence, the new strategy for Adult Social Services: keeping people independent in their homes, meeting their needs in the local community and reducing the need for paid services.
- The department has invested in more reablement staff so that additional people can be reabled, needing either no home care or smaller packages of care.
- Some of the CCGs have stated that they will not be putting as much money into the Better Care Fund in 2016-17.

Appendix A

Risk Number	RM021	**Date of update**	21 June 2016
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. New risk proposal by the Chief Internal Auditor following the Audit report on the estate management of County Farms.

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
4	3	**12**	4	3	**12**	1	3	**3**	Mar-17	**Amber**

Tasks to mitigate the risk

1) County Farms Improvement Board 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 Improvement Board meetings.

Progress update

1) The County Farms Improvement Board has been established and officers have met to consider improvements to estate management.
2) Recommendations are currently being considered and implemented, and progress monitored at the County Farms Improvement Board meetings.

Appendix A

Risk Number	RM022	**Date of update**	01 August 2016
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. New Risk		
Risk Owner	Wendy Thomson	**Date entered on risk register**	26 July 2016

Risk Description

There are far-reaching implications to the Council, most notably for the Council's EU funded programmes supporting economic growth and regeneration, employment, environmental protection, research and development, and agricultural support within Norfolk. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery. Uncertainty on both performance delivery and designation of the Council as Managing Authority following the EU referendum result could lead to an inability to draw down the funding required to manage the programme and have a significant reputation impact on the Council leading to an inability to submit payment claims to the EU. Cause: The EU Referendum held in June 2016, with the UK voting to leave the EU. Event: Article 50 being triggered with a limited understanding as to how the terms of exit affect Norfolk County Council service delivery. Effect: Uncertainty over the nature and the extent that the terms of exit triggered by invoking Article 50 will impact upon Norfolk County Council.

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
4	3	**12**	4	3	**12**	3	3	**9**	Apr-17	**Red**

Tasks to mitigate the risk

1) Officers to meet with key Government leads to keep updated on proposals, developments and risks
2) Article 50 is yet to be triggered, so at this stage, Norfolk County Council should continue to monitor the post-Referendum environment.
3) Understand potential implications from the vote to leave the EU, by keeping abreast of official publications from local, central, and European government.
4) Engage with LGA to ensure all current funding is protected in post EU referendum decision making so that the economic benefit of the funding is not lost post EU referendum result and also that these funds be devolved locally.
5) Human Resources to support managers and staff who may be affected by this issue.
6) Meetings to take place with the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills regarding funding to manage the and breaking the tie between programme performance and funding

Progress update

Progress update
1) Meetings will be held with the appropriate bodies. 2) Norfolk County Council is monitoring the post-Referendum environment, working to be as proactive as possible to events unfolding. 3) Working to understand potential implications from the vote to leave the EU, by keeping abreast of official publications from the Local Government Association (LGA). 4) Engaging with LGA to ensure all current funding is protected in post EU referendum result decision making, allowing for funds to be devolved locally. 5) Senior Managers have been advised of support available for officers affected by these issues. 6) Monthly meetings established with the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills with specific focus on 1. Gaining approval that the Authority will be designated funding in a timely manner 2. Securing support to gain authority from the EU Commission to break the tie between programme performance and funding to manage the programme because of the added risk to performance that the EU referendum result has created.

Appendix B – Risk Reconciliation Report

Significant changes to the risk register since the last Audit Committee Risk Management report was presented in June 2016.

Risk additions:

There are two risk additions since the last Audit Committee Risk Management report:

RM021 – Failure of Estate Management

RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff

Risk Closures:

There are two risk closures since the last Audit Committee Risk Management report:

RM008 - The potential risk of failure to deliver effective procurement processes.

This risk was closed in August 2016, as the procurement processes are regularly brought to CLT, with ownership of the procurement pipeline with CLT, who ensure that forthcoming procurements are properly considered before they proceed, and that strategic fit, reputational and other issues are considered appropriately.

RM009 - The potential risk of failure of corporate governance and leadership.

This has been closed due to the Council continuing to strengthen its corporate governance and leadership.

Prospect Score Changes:

RM017/RM14248 – failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.95m): The prospects of meeting the target score by the target date has moved from Green to Amber. The project team are actively monitoring and manage the project risks and following from a review of risks there are a number of issues that may impact to the budget, including the impact of poor weather in June 2016 and approvals from Network Rail over the Rackheath Bridge taking longer than anticipated, leading to additional costs of design and construction. Further details are included in the finance monitoring report to ETD Committee.

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.

Corporate Strategic Risks - Heat Map

LIKELIHOOD	Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme 5
Almost Certain 5					
Likely 4			14a, 14b, 21, 22		20a
Possible 3			17	20b, 5, 1, 10, 11, 4	2, 7, 3, 6, 19
Unlikely 2					16, 18
Rare 1				13	

IMPACT

Key △ = Becoming more of a risk / ▭ = Risk is stable / ▽ = Becoming less of a risk

No.	Risk description	No.	Risk Description
1	The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.	11	The potential risk of failure to implement and adhere to an effective and robust performance management framework.
2	The potential risk of failure to manage significant reductions in local and national income streams	13	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.
3	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice.	14a	The amount spent on home to school transport at significant variance to predicted best estimates.
		14b	The amount spent on adult social care transport at significant variance to predicted best estimates.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	16	Failure to adequately embed Business Continuity into the organisation.
5	The risk that we cannot provide modern desktop equipment that meets the needs of the organisation.	17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m).
		18	Failure to make the required improvements leading to take-over of Children's Services.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.	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.	20a	Failure to meet the long term needs of older people.
		20b	Failure to meet the needs of older people.
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.	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.

Audit Committee

Item No 13

Report title:	**County Farms Update**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

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).

The Council has 16,000 acres or more of farmland (estate) in Norfolk which are rented to over 145 tenant farmers. The Economic Development Sub-Committee is responsible and accountable for the oversight and development of County Farms, a recognition of their importance in the rural economy.

Executive summary

The Audit Committee received an update report on County Farms on 16 June 2016 (Agenda Item 16: page 110, please click on the underlined text to link to the report) and asked for a further update report to be presented to the Committee at its September meeting. This report provides that update.

The County Farms report was presented to a specially convened meeting of the County Farms Advisory Board on 27 May 2016, which was formally minuted, which give Members of the Board an opportunity to formally respond to the audit reports. The County farms Advisory Board met again on 26 July 2016 and provided further feedback for a report to the Economic Development Sub-Committee in September 2016.

A report (please click on the underlined text to link to the report) has now been published for the Economic Development Sub-Committee on 9 September 2016.

Recommendations:

1) **To consider the update report set out in this Executive Summary**

2) **To note that:**

- **Full and final responses have been made to all but four complainants; and**
- **A County Farms systems audit has been included in the 2016-17 Internal Audit Plan for November/December 2016, which will include following up the agreed actions, to be reported to the January 2017 Audit Committee.**

1. Introduction

1.1 The Audit Committee asked for an update report at its September 2016 meeting.

2. Evidence

2.1 The County Farms Governance Audit report and the County Farms Lines of Enquiry Report (as at 31 March 2016) were reported to the April 2016 Audit Committee as **Appendix A** and **Appendix B** to that report respectively.

2.2 Full and final responses have been made to all but four complainants.

2.3 A County Farms systems audit has been included in the 2016-17 Internal Audit Plan for November/December 2016, which will include following up the agreed actions, to be reported to the January 2017 Audit Committee.

3. Financial Implications

3.1 Any specific financial implications are covered in the reports.

4. Issues, risks and innovation

Risk implications

4.1 Apart from those listed in the reports, there are no other implications to take into account.

5. Background

5.1 The background is set out in the reports (at 2.1).

Officer Contact

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

Name	Telephone Number	Email address
Simon George	01603 222400	simon.george@norfolk.gov.uk
Adrian Thompson	01603 222784	adrian.thompson@norfolk.gov.uk

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Audit Committee

Item No 14

Report title:	**Local Audit and Accountability Act 2014 – External Auditor Appointments Implementation**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

There is a statutory requirement for the Council's Statement of Accounts to be independently audited. The Local Audit and Accountability Act 2014 (the Act) brings changes to the appointment process for external auditors, referred to in the Act as a 'Local Auditor'.

The contract for the present external auditors, Ernst & Young, is due to expire 31 March 2018. The Council must, by 31 December 2017, have appointed, or re-appointed, a local auditor to be in place by April 2018, to undertake the audit of the Council's financial statements for 2018/19 onwards.

The Act and the regulations provide options for how an external auditor is procured, some of which would need significant preparation and changes to the Council's Constitution. The Committee, as those charged with governance, are asked to agree the preferred option on economic and efficiency criterion.

Executive summary

The last Government introduced legislation, the Local Audit and Accountability Act 2014, to abolish the Audit Commission. The Commission was subsequently wound up by 31 March 2015, so no longer appoints our External Auditors (2.1). Temporary arrangements were put in place by the Government to maintain existing contracts (explained at 2.2) and the legislation sets out the arrangements for how External Auditors would be appointed going forward.

The Council has four options to procure its External Audit service for the audit of financial statements for 2018/19 onwards (2.4). Prior to 31 December 2017, it should either:

- Direct the Executive Director of Finance to contract with a 'specified person' (in this case Public Sector Audit Appointments Ltd (PSAA)) as allowed under Part 3 Section 17 of the Act (explained at 2.4.1) **the preferred option;** or

- Set up an Auditor Panel (explained at 2.4.2) by:

    - Recommending to Policy and Resources Committee to request the Constitutional Advisory Group to amend the Constitution to establish an

Auditor Panel in compliance with Section 9 and Schedule 4 (part 1.(1) a) of the 2014 Act and relevant regulations

  - have appointed a suitable panel; and

  - undertaken or participated in, a procurement exercise to appoint a local auditor, to be in place by 1 April 2018

- Set up an Auditor Panel (as above) with the intention to host a partnership, with other local authorities, as allowed for, per Schedule 4 part (1. (1) b) of the Act 2014 and relevant regulations (explained at part 2.5); or

- Join an appropriate Auditor Panel, in partnership, as allowed for, per Schedule 4 part (1. (1) b) of the Act 2014 and relevant regulations (explained at part 2.5);

The wider context of External Audit provision for Council owned entities is set out in this report for reference (explained at part 2.17).

The Audit Committee, as those charged with governance, is recommended to:

Consider:

- **The requirements and timescales set out in the Act (explained at 2.3 and 2.4)**

- **The advantages and disadvantages of the available options for procuring an External Auditor (Local Auditor) as required by the Act (explained in Appendix B); and**

Agree:

- **To commend to Full Council to direct the Executive Director of Finance to formally 'opt in' with the Government's designated appointing person (in this case PSAA), as allowed under Section 17 of the Act, as the preferred option offering the greatest potential economic and efficiency savings.**

1. Proposal (or options)

1.1 The options are set out in the Executive Summary above

1.2 In producing this paper, Democratic Services have been consulted.

2. Evidence

2.1 Our existing external auditor was appointed by the Audit Commission. EY were appointed 1 September 2012 for the 2012/13 audit with the closure of the Audit Commission's District Audit Service and the letting of those contracts to commercial suppliers. The last Government asked the Commission to set fees for 2015-16.

2.2 The present management of the External Auditors is the responsibility of Public Sector Audit Appointments Ltd (PSAA). This company will operate between 2015 and 2018. PSAA have published a prospectus and frequently asked questions (please click underlined text to link to the web page). Currently PSAA:

- Set scale fees for our audits from 2016-17 and for approving fee variations from 1 April 2015
- Monitor contract compliance and the quality of auditor' work
- Publish reports on the quality of audit work and on compliance with key indicators
- Maintain and make public the VFM Profile tools

2.3 The Government allowed that the existing External Audit contracts, including Norfolk County Council's, could be extended to 2020, however it was later announced that contracts would be extended to 31 March 2018. Therefore, at present the current external auditor's contract expires at the end of the 2017/18 financial year.

2.4 The Local Audit and Accountability Act 2014 (The Act) states that:

2.4.1 The Secretary of State can appoint an 'Appointing Person', who will have the ability to appoint an external auditor to a relevant authority, at Part 3 Section 17 of the Act 2014. The Government announced in July 2016 that PSAA has been specified by the Government to become the body which is authorised to make future audit appointments on behalf of principal local authorities. PSAA were the sector led body for the appointment of auditors. The first appointments made under these arrangements will commence in relation to the financial year 2018-19. The Council can therefore opt in to this arrangement, rather than undergo a procurement exercise itself. PSAA state that approaching 270 councils and other local bodies have already expressed an interest in joining the national scheme which they are now developing. The Audit Committee considered a presentation about Local Audit Procurement (the Appointing Person) (see Minutes Appendix A) by a Local Government Association representative at its June 2016 meeting. This preferred option would offer the maximum economies of scale, potentially giving significant economic and efficiency savings for the Council

2.4.2 Should the Council not wish to opt in to use PSAA to secure a Local Auditor, Part 3 s8(1) and Schedule 4 of the Act outline the procedure for appointing an external auditor, which the Council must follow, that the Council "…must consult and take into account the advice of its auditor panel on the selection and appointment of a local auditor". CIPFA have published a Guide to Auditor Panels which has been circulated earlier to members of this Committee. Key points to note are that:

- The requirement to have an Audit Panel is new and will require the Council to amend its Constitution to allow for the creation of such an Audit Panel. Changes to the Constitution are enabled through a recommendation to the Policy and Resources Committee on to the Constitutional Working Group which makes recommendations to full Council

- Such an Audit Panel must consist of a majority of independent members, or wholly of independent members, including the Chair. An existing committee, or sub-committee, or panel, can be appointed to act as an audit panel if they comply with the above requirements of the Act.

2.4.3 A new Local Auditor contract, must be in place by 1 April 2018. In accordance with Part 3 s7(1) of the Act, the appointment must be finalised by 31 December 2017. The appointment can be for between one and five years, unless the Secretary of State directs otherwise, and the auditor must be eligible for appointment and must not be prohibited from doing so by law.

2.5 An Audit Panel established under the Act must either be appointed by the Council or by the Council and one or more other relevant authorities, as per Schedule 4 (part 1 (1) b). The Council can use another Authority's Panel. The Council could therefore either choose to host or join an appropriate partner or group of partners who shared a desire to work together to operate a 'shared Auditor Panel'. Such a shared panel may secure some economies of scale and administration for the participants.

2.6 Exploratory discussions with local Finance Leads have established a preference for the PSAA route. The Council has not been approached regarding developing any partnership Audit Panel and no preparation has been made to lead/host such a panel to date, therefore this is not a preferred option.

2.7 The NAO have published a leaflet explaining their role in relation to to Local Auditors which sets out about maintaining standards, in particular their Code of Audit Practice for Local Auditor's work.

2.8 The implementation options including the, who, what, why and when action needs to happen are set out in **Appendix A**.

PSAA (the preferred option)

2.9 A collective approach would offer the best economies of scale, competitive fees and be the most efficient to set up and maintain. The PSAA have published a prospectus (see 2.2.) which sets out their plans to develop the service. To implement the PSAA option the Committee, as those charged with governance on behalf of the Council, would need to commend the Full Council to direct the Executive Director of Finance to formally 'opt in' to a contract with PSAA.

PSAA would then:

- request details from the Council to assist them with securing audit contractors
- procure the audit providers on a framework
- publish a scale of fees
- consult on the appointment of the Council's local auditor
- make the appointment
- manage this appointment
- charge a scale fee and administration fee

Audit Panel

2.10 Establishing an Audit Panel would not offer economies of scale, so fee rates could be higher. Establishing and maintaining an Audit Panel would incur set up and ongoing costs, including additional democratic support and allowances. To implement the Audit Panel option the Committee, as those charged with governance on behalf of the Council, would need to direct the Executive Director of Finance to formally request the Policy and Resources Committee to request the Constitutional Advisory Group to implement an auditor panel in order to comply with Schedule 4 of the Act. This would include consideration of the options for creating Auditor panels and the issues surrounding the constitution of those panels, described below in summary:

- The Auditor Panel could be appointed by the County Council, using one of the following options:

    - A panel appointed as an auditor panel by the County Council, or
    - A panel appointed as an auditor panel by the County Council and <u>one or more other relevant authorities</u> (See below) , or
    - An auditor panel appointed by a relevant authority other than the County Council, or
    - A committee or sub-committee of the County Council.

    NB:- CIPFA (Chartered Institute of Public Finance and Accountancy) has issued guidance on auditor panels, including an analysis of the possible advantages and disadvantages of these options.

- Whichever audit panel option is selected, the Audit Panel must:

- Consist of a majority of independent members, or wholly of independent members, and
- Be chaired by an independent member.

- A member of the auditor panel is "independent" if the panel member:

    - Has not been a member or officer of the Council within the past 5 years, and
    - Has not been an officer or employee of an entity connected with the Council within the past 5 years, and
    - Is not a relative or close friend of a member or officer of the Council, or an officer or employee of an entity connected with the Council.

2.11 The Council's existing Audit Committee has no independent members and therefore in accordance with schedule 4 of the Act, cannot presently act in the capacity of an auditor panel. However, the Audit Committee may wish to consider what role is appropriate for them in relation to the governance of:

- The external audit procurement process, and
- The subsequent management / oversight of the external audit contract.

Hosting/Joining a partnership Audit Panel

2.12 The Council has not been approached regarding developing any partnership Audit Panel and no preparation has been made to lead/host such a panel to date, therefore this is not a preferred option. The benefits and dis-benefits of this option are described in **Appendix B**.

Other Considerations

2.13 The Council's External Auditor will need to work with the chosen external auditors for the Council's wholly owned entities that are part of the Council's Consolidated Accounts. Consideration should be given to the audit appointments across the group (e.g. interactions with the Norse Group and Independence Matters Ltd).

3. Financial Implications

3.1 The specific costs of potential options are not available from PSAA and have not been quantified at this stage but will be considered in the 2017-18 budget setting process. For indicative purposes the current fee level for the Audit of the Council's Statement of Accounts is £117,045.

3.2 If the PSAA option were to be agreed then a scale fee and management fee would be charged. It is not anticipated that any management fee will exceed the potential reductions in audit fees from providers due to the economies of scale.

3.3 If the Audit Panel option were agreed the Council must provide for reasonable expenses and allowances incurred by the panel in exercise of their duties. This may be shared if a partnership panel were established.

4. Issues, risks and innovation

4.1 There are legal implications for failure to appoint a local auditor in compliance with the Local Audit and Accountability Act 2014; most notably that the Secretary of State would need to be informed and who could then direct an appointment.

4.2 There are no implications with respect to:

- Other resource implications (staff, property)
- Risks
- Equality
- Human rights implications
- Environmental implications
- Health and safety issues

5. Background

5.1 The Committee received a presentation (please click on the underlined text to link to the minutes) from an LGA representative at its meeting in June 2016 reproduced at Appendix A of those minutes.

6. Officer Contact

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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

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Implementation Options **Appendix A**

Over the next 12 months to comply with the act the County Council must implement one of the following two options:

What needs to be done:	Why it needs to be done:	How does it need to be done:	When does it need to be done:	Who needs to lead on this:
If PSAA (the preferred) option: The Full Council to direct the Executive Director of Finance to formally 'opt in' to the PSAA service.	In order to fulfil Part 3 Section 17 of the Act.	Resolution of the September 2016 Audit Committee	Resolution of the September 2016 Audit Committee	Executive Director of Finance
If Audit Panel Option: Amendment to the Council's constitution to allow for the creation of an auditor panel	In order to fulfil the requirements of Part 3 s8(1) of the Local Audit and Accountability Act 2014	Audit Committee Chair to make request to P&R Chair to initiate.	Constitution to be amended by 30 December 2016	Head of Democratic Services (Chris Walton)
Undertake a recruitment process to appoint individuals to the auditor panel, this may also include giving the panel members the necessary training to fulfil their role.		Audit Committee Chair to request Democratic Services to undertake a recruitment exercise to produce a shortlist of appropriate candidates. (To be decided, the role the Audit Committee will have	Audit Panel to be in place by 30 June 2017	Recruitment & Appointment: Audit Committee / Head of Democratic Services Training: Norfolk Audit Services

What needs to be done:	Why it needs to be done:	How does it need to be done:	When does it need to be done:	Who needs to lead on this:
		with regards to the interview and appointment of the participants of the Independent Auditor Panel)		
Decide upon appropriate procurement option; carry out, or be a party to, a procurement exercise for an external auditor	In order to fulfil the requirements of Part 3 s7(1) of the Local Audit and Accountability Act 2014	Advice to be sought from Head of Procurement on the proposed specific procurement route to take, timescales, specification, etc.	To be <u>completed</u> by 31 October 2017	Executive Director of Finance (Simon George) and Head of Procurement (Alan Collier)
Council Receive advice / a recommendation back from the audit panel on the preferred external audit provider	To comply with Part 3 s8(1) of the Local Audit and Accountability Act 2014	The Independent Auditor Panel to consider the results of the procurement exercise and make a recommendation to the full Council.	To have a preferred provider by 30 November 2017	Independent Audit Panel
Appoint an external audit provider	To comply with Part 3 s7(1) of the Local Audit and Accountability Act 2014		To have appointed an external audit provider by 31 December 2017	Full Council
Publicise the appointment, including the advice from the audit panel	To comply with Part 3 s8(2) of the Local Audit and Accountability Act 2014		Within 28 days of the appointment of the external auditor.	Head of Democratic Services

Advantages and Disadvantages Analysis:

Option	Possible Advantage	Possible Disadvantage
Opt in to PSAA (**preferred option**)	• Maximum economies of scale for economic and efficiency benefits • Minimum administration • Scale of Fees approach • High standards of quality and maximum leverage on providers in case of disputes	• Limited choice of external audit provider • Management fee will be levied by PSAA
Set up own separate and individual Audit Panel to oversee separate and individual procurement[1]	• Full ownership of the process. • Fully bespoke contract with the auditor. • Tendering process more based on local circumstances (within EU procurement rules).	• May experience difficulties in appointing majority independent panel members and independent panel chair as per the regulations. • Will need to ensure that panel members are suitably qualified to understand and participate in the panel's functions. • Will have to cover panel's expenses completely. • May not be able to procure at a lower cost, for example, depending on authority location, where there will be a risk of limited provider choice and a single authority contract may be less attractive to some providers. • Will not achieve economies of scale.
Set up a panel jointly with another authority / authorities as part of a procurement exercise for joint contract covering more than one authority or multiple separate contracts[1].	• Less administration than a sole auditor panel. • Will be able to share the administration expenses. • May be easier to attract suitable panel members. If procuring a joint audit contract: • May still be relatively locally tailored process. • May be able to achieve some economies of scale. If procuring separate audit contracts:	If procuring a joint audit contract: • May need to compromise on the arrangements or auditor contract. • May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appoint one joint audit contract across all authorities, a joint panel may be more likely to

Option	Possible Advantage	Possible Disadvantage
	• An opportunity for fully bespoke contracts with the auditor if the group of authorities can agree.	advise appointment of an audit it considers suitable for all authorities taken together. • Need to agree appointment of members across multiple authorities and set up an appropriate joint decision-making process • Limited economies of scale
Use existing committee or sub-committee[1]	• Existing administrative structure in place. • Existing (sub) committee should already have a better basic understanding of the authority's objectives and requirements.	• Need to appoint a new (sub) committee member/s and Chairman to comply with independence regulations.
Use another authority's panel[1]	• Will not have to set up an auditor panel. • Arguably most independent option for the authority using the host authority's panel.	• The panel may not understand the specific needs of the authority. • May need to enter into a formal arrangement with the other authority. • May be difficult to find an authority willing to enter into such an arrangement. • May be more difficult to ensure adequate liaison with authority's own audit committee.

[1]Source: CIPFA Guide to Auditor Panels December 2015

Audit Committee

Item No……

Report title:	**Work Programme**
Date of meeting:	**22 September 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.

In accordance with its Terms of Reference the Committee should consider the programme of work set out below.

January 2017	
County Farms Update	Executive Director of Finance
NAS Quarterly Report Quarter ended 30 September 2016 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director of Finance
Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance
A Half yearly update of the Audit Committee	Executive Director of Finance
Internal Audit Strategy, Approach, Strategic Plan 2017-2020 and Internal Audit Plan for 2017-18	Executive Director of Finance
Audit Committee Terms of Reference	Executive Director of Finance
Anti-Fraud and Corruption Update (including Anti Fraud Strategy Review)	Head of Law
Whistleblowing Policy Review	Head of Law
Certificate of Claims and Returns Annual Report 2015-16	Executive Director of Finance/External Audit
Risk Management Report	Executive Director of Finance
Audit Committee Work Programme	Executive Director of Finance

April 2017	
NAS Quarterly Report Quarter ended 31 December 2016	Executive Director of Finance
Anti-Fraud and Corruption Update	Head of Law
External Auditor's Audit Plan 2016-17	Executive Director of Finance

Risk Management Report	Executive Director of Finance
Audit Committee Work Programme	Executive Director of Finance

June 2017	
NAS Quarterly Report Quarter ended 31 March 2017	Executive Director of Finance
Monitoring Officer Annual Report 2016-17	Head of Law
Annual NAS Report 2016-17	Executive Director of Finance
Risk Management Report	Executive Director of Finance
Anti-Fraud and Corruption Update	Head of Law
Audit Committee Work Programme	Executive Director of Finance

Officer Contact

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IN TRAN communication for all

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